

Financial Services Inquiry

Sex discrimination and
gender pay gap report of
the Equality and Human
Rights Commission



Equality and
Human Rights
Commission



Contents

Part 1

1 Acknowledgements	p3
2 Foreword	p5
3 Executive summary and key findings	p9
4 Inquiry recommendations and actions	p15
5 Background and aims of the Inquiry	p22

Part 2

6 The workplace reality of unequal pay and sex discrimination	p25
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Appendices

Appendix 1: Notice of the Inquiry	p59
Appendix 2: Inquiry methodology	p61
Appendix 3: Questionnaire response tables	p66
Appendix 4: Commission legal powers	p72
Appendix 5: Executive summary from the Metcalf and Rolfe Report ‘Employment and earnings in the finance sector: A gender analysis’	p77
Appendix 6: Questionnaire and guidance notes	p82
Appendix 7: Summary of equal pay law	p97
Appendix 8: References	p105

Part 1

1 Acknowledgements

The Equality and Human Rights Commission is grateful to all those individuals, organisations and companies who have given evidence to the Inquiry.

The data analysis contained in this report was undertaken by Patricia Findlay of the University of Edinburgh, and Chris Warhurst, Kay Gilbert and Johanna Commander of the University of Strathclyde for the Scottish Centre for Employment Research (SCER). Part 2 largely presents the SCER report. The Commission is extremely grateful for the significant additional assistance the team has provided in the preparation of this Inquiry report.





2 Foreword

Financial services around the world have been under intense scrutiny in 2009. As high-profile banks and insurance companies have collapsed, their failure has sent shockwaves through the whole economy. Governments have taken unprecedented steps to restore stability and confidence to the markets.

Yet it would be wrong to think that financial industries have had their day, or to underplay their continuing importance to our country and our economy. They employ well over a million people. They allow other firms, from international manufacturers to local retailers, to get on with the job. They continue to attract talent from around the world, and, looking beyond the recession, have the potential to play a central role in Britain's economic recovery.

If that potential is to be realised, reform is crucial. Regulators are going over the affairs of failed institutions with a fine-tooth comb. Politicians are debating new methods of oversight to stop a second 'credit crunch,' and to allow the sector to grow and prosper sustainably.

We in the Equality and Human Rights Commission believe that the process of reform and reflection will be a wasted opportunity if it does not address the marked and persistent sex discrimination that permeates the industry.

The reasons why the Commission would be interested in these issues are obvious. But we think the reasons for the industry itself to be concerned are just as compelling. Challenging discrimination and unfairness is of course the right thing to do. Everyone deserves the chance to fulfil their potential, and receive proper reward for their contribution. By bringing down arbitrary barriers, and changing practices that, intentionally or not, may exclude or inhibit certain people, financial firms also have the chance to boost morale, bring on new talent, and maximise the potential of their existing employees. Moreover, at a time when potential employees and customers increasingly want to favour firms that treat their staff equitably, they can win a competitive edge.

We initiated this Inquiry in early 2009, largely because we already knew that the financial services sector has a bigger overall pay gap than any other part of the economy and we thought it vital to arrive at a more detailed and sophisticated understanding of the dimensions and causes of that gap. Our investigations have revealed that women working full-time in the finance sector earn 55 per cent less per year than men working full-time. The gap between male and female full-time earnings is twice as large as the average gap across the economy as a whole.

Financial Services Inquiry

Startlingly, despite efforts by firms in the sector and examples of good practice shown to us, it appears that the pattern of differential earnings is being reproduced among **new** entrants to the sector. Part of the reason is sheer lack of awareness; even the most vigilant firms allow this gap to be established because they simply have not bothered to monitor starting salaries by gender.

The causes also include factors that may be outside of the firm's direct control, for example persistent job segregation. Women are far more likely than men to be working in a customer call centre; far less likely to be in senior management or on a board. But this report also shows that it would be unwise to underestimate the apparent force of straightforward discrimination in reward policy, since it shows clearly that women earn less even where they are in the same job grades or job categories as men. The impact of annual incentive pay (bonuses) on earnings is particularly striking, with female full-time employees on average receiving only a fifth of the annual incentive pay of men working full-time in the sector.¹

This report sheds light on some of the reasons why the financial sector has such a wide pay gap:

- In many firms, employees do not know how much their colleagues are paid, and this lack of transparency allows inequalities to grow.
- In some roles, bonuses often form a significant element of take-home pay, and sometimes appear to be based more on an individual's readiness to ask for more than rewards based just on their performance.
- Stereotyping and unwritten assumptions about 'whose face fits' distort recruitment processes.
- The sector's unusually young age profile makes balancing work and family a particularly acute issue.
- In some parts of the sector, a long hours' culture can be tough on those with caring responsibilities.
- For some, the move away from local branches to separate centralised head offices and call centres has closed the path from the shop floor to management to the boardroom.
- Some senior leaders are unwilling to acknowledge that there is a problem, or to do anything about it.
- Even where there are good equality policies on paper, they do not always translate into good practice.

¹ Metcalf and Rolfe, 2009, pp. 46–7.

Of course, the Commission's job is much more than to point out the problems. We are also here to suggest solutions. This report makes a series of initial recommendations for increased transparency, improved leadership, better support for staff with caring responsibilities, more consistent monitoring of the pay and progression of people from different backgrounds, and a clearer articulation of the business case for getting this right.

As a regulator, the Commission will use all the tools at our disposal. Where organisations are in breach of the law and in denial of their responsibilities, we will not hesitate to take tough legal action. But we also stand ready – and consider it our first duty – to work in partnership, supporting and encouraging those who want to lead the way. To this end we have also articulated a number of actions the Commission intends to pursue to facilitate the financial sector in taking this journey.

In the coming months, we will discuss the recommendations contained in this report with firms in the financial sector, their staff, their unions and representative groups. We will ask them how these recommendations might be put into practice, and what kind of support would help make change happen. We will then publish detailed proposals developed in conjunction with relevant stakeholders. In doing so, we aim to play our part in putting the financial sector on a sound and sustainable footing for the future, for the benefit of the people that work in this sector and for the UK as a whole.

Trevor Phillips

Chair
Equality and Human Rights Commission

Mike Smith

Chair
Inquiry evidence panel²

September 2009

² Mike Smith chaired the Inquiry evidence panel. He has also led the executive oversight of this report on behalf of the chair, Trevor Phillips. Mike is a member of the Commission's disability committee, and until recently was a director at PricewaterhouseCoopers.



3 Executive summary and key findings

The financial services sector is a significant contributor to the UK economy. In 2008 it provided 1.3m jobs in Britain, employing around four per cent of the workforce. Men and women make up almost equal proportions of employees within the sector.

This report focuses primarily on the financial services, sub-sectors of banking and building societies, so-called ‘auxiliary activities’, and holding companies. Its scope extends from regional high-street banks to investment houses in and around the City of London, and in terms of jobs, from high-street bank cashiers to investment bankers.

The report covers four geographical areas: London, England outside London, Scotland and Wales. Evidence of organisational practices was gathered through questionnaires sent to 50 companies, all of whom responded. Further information and insights were drawn from a call for evidence, seminars with legal advisers, trade unions and staff associations, and interviews with industry representatives. The Inquiry was also informed to a significant extent by the gender analysis of employment and earnings in the finance sector commissioned at the outset.³

This section highlights some key Inquiry findings, grouped according to the terms of reference, and indicates where the supporting evidence can be found in the report.

³ Metcalf and Rolfe, 2009, Executive summary, Appendix 5.

3.1 The gender pay gap and pay trends across the financial services sector

The gender pay gap for annual gross earnings (that is, all earnings, irrespective of hours) in the sector is 60 per cent, much higher than the economy-wide gap of 42 per cent.⁴ Based on mean full-time annual gross earnings, the overall gender pay gap is 55 per cent, compared with 28 per cent in the economy as a whole.⁵

Data collected via our company questionnaire gave gender pay gaps of 39 per cent for annual basic earnings and 47 per cent for annual total earnings. Fifty and 49 cases respectively provided full data for these calculations. (page 33, para 3.5)

There is evidence of gender bias in the distribution of bonuses and performance-related pay. In more than half the cases the gap for discretionary performance-related pay was 45 per cent or more. (page 67, Table 3)

There is a gender gap of 80 per cent for performance-related pay based on the 42 cases providing complete data. (page 33, para 3.8)

The gender pay gap in finance sector companies cannot be explained away as a historical legacy. Analysis of salaries for new recruits shows that in 86 per cent of the cases reported to us, women have lower salaries than men. It is likely that this inequality continues to be reproduced throughout the course of their careers. (page 33, para 3.6)

Women are concentrated in the lower-paid jobs in finance sector companies. (page 34, para 3.13)

In only five per cent of cases were there no job grades or occupation categories with a significant pay gap. In 63 per cent of cases more than half of all job grades/categories exhibited a significant gender pay gap. (page 35, para 3.6)

The use of job evaluation was positively associated with a lower gender pay gap in both basic pay and total earnings. However, only a third of cases used job evaluation to determine job grading. (page 36, para 3.24)

Both basic and performance-related pay are much higher in revenue-generating functions, where women are significantly under-represented. (page 28, para 1.9)

The most common basis for a company's pay structure was reported to be a mixture of market rates and discretionary performance pay.

Pay transparency (employees knowing roughly how much their colleagues earn) in the sector is poor, particularly in relation to performance pay criteria that are not generally publicised within the companies. However, some examples of particularly good practice were identified. (page 39, para 3.36)

Where there is a recognised trade union or staff association, pay arrangements tend to be more transparent.

⁴ Metcalf and Rolfe, 2009, p. 44.

⁵ Metcalf and Rolfe, 2009, pp. 44–6.

3.2 Sex discrimination in recruitment, terms and conditions, promotion, career paths, retention, and workplace culture across the sector

Occupational segregation and concentration are more marked in financial services than across the British economy as a whole. (page 27, para 1.5)

Men occupy two-thirds of managerial and senior jobs and nearly three-quarters of professional jobs. We believe this disproportionality is likely to have a significant effect on recruitment and progression. (page 27, para 1.5)

3.3 Recruitment

Evidence from a range of sources indicates that recruitment and selection processes, and a substantial degree of job stereotyping, perpetuate an industry profile in which men dominate the high-earning jobs and women the low-earning jobs.

Company questionnaire responses revealed extensive use of informal recruitment, such as personal referrals. These informal methods can perpetuate women's exclusion from certain jobs. (page 45, para 3.59)

Women are more likely than men to be asked about their family circumstances and responsibilities during the recruitment process, which raises unlawful discrimination issues. (page 45, para 3.60)

In some sections of the sector there is an emphasis in recruitment for the high-end jobs on 'cultural fit' with the company and its clients and trading partners, who are mostly male. (page 29, para 1.11)

A significant minority of roles – for example in investment banking and fund management sectors – require specialised technical skills and knowledge that women remain less likely to have acquired at school or later. (page 29, para 1.11)

3.4 Progression and career paths

There is a tendency in the financial services sector for women to become trapped in lower-paid jobs. (page 45, para 3.62)

Women with supervisory responsibilities are more likely to be promoted to supervisory posts, whereas men with supervisory responsibilities are more likely to be promoted to managerial posts.

Even where companies have exemplary equality policies on paper, negative management attitudes towards women, particularly in relation to pregnancy and maternity leave, adversely affect women's career progression. (page 79, para 3)

The high proportion of workers in the 25–39 age group – the age at which employees tend to have children – makes it harder for women to have a viable career in this sector. (page 30, para 1.14)

Networking, often male-oriented, was highlighted as an important career enabler within the financial services sector, in terms of building relationships with clients and increasing visibility with senior managers.⁶

⁶ Ogden et al., 2006, pp. 40–53.

In retail banking it was reported that women who request part-time or flexible work to accommodate childcare responsibilities can experience downgrading as a result, which raises the risk of unlawful sex discrimination. (page 49, para 3.74)

Promotion is often at the discretion of middle managers, who are predominantly male. Women are less likely than men to feel that the promotion process is fair and consistent. Women are more likely than men to have experienced a peer being promoted above them.⁷

3.5 Workplace culture

A number of workplace culture issues were identified by witnesses that adversely affect women's experience and employment opportunities in the sector. These include client networking activities that exclude women (such as a focus on male-dominated sports) or even demean women (such as socialising at lap-dancing clubs or hostess bars). (page 51, para 3.80)

Stereotyping of women and sexist and exclusionary practices sometimes creates a climate in which women feel undervalued and lack confidence. (page 52, para 3.86)

Some working practices in the sector serve to disadvantage and marginalise employees with family responsibilities, still predominantly women, especially the practice and culture of long working hours and presenteeism for higher graded and higher-paid roles. (page 30, para 1.14)

Few companies appear to keep data on flexible working requests, but the data provided indicates that men rarely applied. Here the sector differs little from the economy generally, for government surveys show that men are less likely than women to exercise the right to request. In 2006 22 per cent of female employees, as compared to 14 per cent male employees, had requested to work flexibly over the previous two years⁸.

Witnesses gave evidence that flexible working requests were less likely to be considered favourably for more senior employees, and those seeking flexibility often had to opt for demotion to obtain it. (page 49, para 3.75)

Women experienced a range of adverse impacts for taking maternity leave, including permanent reallocation of their clients, loss of bonuses, and less favourable performance assessments. (page 50, para 3.78)

⁷ Metcalf and Rolfe, 2009, p. 57.

⁸ Hooker, H et al., 2006.

3.6 Measures used to address sex discrimination and inequalities in pay and status, and their effectiveness

Although finance sector companies were identified as early and enthusiastic adopters of a range of equality initiatives, policy implementation over the long term has proved ineffective. This suggests equality initiatives have not become a core concern of business.

The Financial Services Skills Council (FSSC) has developed a programme of training and personal coaching for senior women, funded by the UK Commission for Employment and Skills.⁹

Less than half of the questionnaire cases reported that they had made any effort to address the gender pay gap in their company. (page 43, para 3.52)

Twenty-three per cent of companies reported that they had undertaken an equal pay audit. (page 32, para 3.49)

Only three questionnaire cases reported that they monitor starting salaries by sex. (page 42, para 3.51)

Less than a quarter of questionnaire cases reported that they monitor performance-related payments by sex. (page 42, para 3.50)

Low levels of awareness of or compliance with the code of practice on equal pay were identified.¹⁰

3.7 Differential impact of job losses in the sector

Evidence was presented to the Inquiry that women may be being disproportionately targeted for redundancy during the economic crisis and restructuring of financial institutions, particularly pregnant women, women on maternity leave and women working part-time because of childcare responsibilities.¹¹

More generally, concerns have been expressed that the current climate might put gender equality work on hold, and detract from progress in this area.¹²



⁹ Financial Services Skills Council, 2008, *Through the Glass Ceiling*, www.fssc.org.uk/109_5.html

¹⁰ See Appendix 7 for further information on the code of practice on equal pay.

¹¹ Evidence from Alliance Against Pregnancy Discrimination.

¹² Metcalf and Rolfe, 2009, Chapter 7, *Measures within the sector to address inequality*, p. 63.



4 Inquiry recommendations and actions

This section of the report makes recommendations for organisations within the finance sector based on the Inquiry's evidence and key findings.

Recommendations

4.1 Commitment and leadership to drive forward gender equality as a business objective

- Appoint a board member to set the tone, mainstream the issues and drive change.

Change of this scale needs to start in the boardroom. Organisations should appoint a board member responsible for driving this process. This would show leadership and encourage senior management to actively mainstream gender pay equality and other gender equality initiatives within the organisation. The board should request periodic feedback and review progress.

- Implement a staff training and communications programme on gender equality and diversity and on equal pay to influence the understanding and behaviours of decision-makers within the organisation.

Understanding the business case for equality and diversity will help managers to appreciate how it can deliver better solutions and services for clients, increased productivity and higher levels of staff engagement. Once they understand the bottom-line benefits, they are more likely to implement equality policies. Understanding the points at which gender bias can enter into a reward system is also crucial if that bias is to be avoided.

- Incorporate equality and diversity into organisational and individual objectives.

Developing equality-related measures, including for the delivery of equal pay, for assessing organisational and individual performance, will help make sure gender equality issues are aligned with and not in conflict with other corporate objectives.

4.2 Increased transparency to mitigate gender bias

- Develop and carry out non-discriminatory job descriptions and analytical job evaluations that are flexible enough to meet the business' needs but that set a clear framework for recruitment, promotion, pay and reward structure. Our evidence shows that the use of analytical job evaluation was associated significantly with lower gender inequalities and pay gaps.

Analytical job evaluations are also recognised in both EU and UK domestic law as being the way to deal with differing job demands. From both of these points it follows that clear job descriptions and analytical job evaluations are a critical means of establishing equitable and transparent pay systems. Benchmarking these within an organisation will help minimise the risk of imbalances between sections of an organisation, and also reduce gender bias (intended or otherwise) of senior and middle managers. The former Equal Opportunities Commission first produced guidance on non-discriminatory analytical job evaluation back in the mid 1980s and the Commission has recently updated this.¹³

- Undertake annual equal pay audits and publish the data.

These are recommended in the code of practice on equal pay as the best means of making sure that a pay system delivers equal pay. They are valuable tools in minimising the risk and the impact of potential equal pay claims. Making the information from an equal pay audit available to managers, employees and other relevant stakeholders improves transparency and encourages action to narrow the gender pay gap still further. Our Inquiry found that organisations with more transparent pay information also had lower gender pay gaps. Benchmarking across the sector would also help organisations understand where they are in terms of delivering equal pay and how they might further improve. Guidance is also available to help employers avoid high-risk pay practices and these emphasise the benefits of transparency.

¹³ Equality and Human Rights Commission, High risk grading and pay practices, <http://www.equalityhumanrights.com/advice-and-guidance/information-for-employers/equal-pay-resources-and-audit-toolkit/checklists-equal-pay-in-practice/19.-high-risk-grading-and-pay-practices/>

4.3 Better support for staff with caring responsibilities

- Make sure maternity, paternity and parental support schemes are in place and are effective.

There are already good examples across the sector of where these work really well and improve the outcomes for individual employees. There are other examples where these have been put in place, but have not proved effective in practice. Many businesses report that the lost investment and additional recruitment costs when people do not return from maternity/parental leave are significant. There is a clear business case for preventing such loss of skills in a sector where the knowledge and experience of its people are literally an organisation's human capital.¹⁴

- Monitor the implementation and effect of policy on gender equality.

Pay and employment policy and practices should be measured and monitored. Monitoring should cover a wide range of activities across the organisation, including the number of women and men who take maternity/paternity/parental leave, return to work rates, flexible working arrangements and development opportunities, progression and earnings (generally, and with an analysis over five years after maternity leave), together with any other policy or practice that may affect gender equality in the workplace. This will allow organisations to understand the impact and effectiveness of its policy, and provide an evidence base for improvements.



¹⁴ The Commission's Working Better report includes evidence of the business benefits of family-friendly work arrangements, which apply to the finance sector. The Commission is taking forward this work.

Actions for the Commission

4.4 Actions for the Equality and Human Rights Commission

The Commission has now begun the next phase of this Inquiry, which will involve collaboration with finance companies, employees, industry associations, leaders, regulators and trade unions to develop more targeted solutions to the gender inequalities identified in this report. Through these partnerships we will build upon existing good practice to finesse and take forward the Inquiry recommendations. Our goal is to come up with a detailed and potent action plan that can be endorsed by industry stakeholders who are in a position to make a positive difference to opportunities and rewards for women in the sector. The success of this Inquiry is one of the Commission's central concerns and this next phase will be championed and led at Commission board level.

In particular the Commission will take the following actions:

- Work with regulators, industry associations and training bodies to improve understanding and awareness of equal pay and equal opportunities compliance in the financial services sector. This could include developing an industry network or forum to share best practice in carrying out transparent and equitable pay and employment systems.
- Work with companies, via a targeted consultation, to assist them in understanding and identifying gender bias in pay systems and support their compliance with the code of practice on equal pay. We will also help companies understand how the equal pay code is meaningful for the financial sector.
- Develop proposals in partnership with relevant industry stakeholders for the establishment of equality performance reviews to narrow the pay gap in this sector.
- Lead the way in making sure that one of the early priorities of these reviews will be to work out effective strategies to address the implications for women of the sector's uniquely young age profile and whether this age profile gives rise to other equality concerns.
- Encourage the government to strengthen the provision in the equality bill aimed at tackling secrecy. The clause as drafted only gives women the right to bring a claim of victimisation if they are disciplined, dismissed or subjected to any other reprimand for discussing pay with colleagues. In our view this protection is too weak to allow women to effectively challenge a culture of secrecy and we would prefer to see an outright ban on employees being barred from discussing their pay.

We would also like to see companies in the finance sector encouraged to move to greater transparency generally by making data available that is stratified by gender on basic pay and bonuses. We will explore this further.

- Advise ministers to adopt the Commission’s recommendations for gender neutral parental leave, as proposed in the Commission’s report Working Better. This will help men and women share family responsibilities more equally.
- Work with the Finance Sector Skills Council to develop and carry out a training programme aimed at making sure that young women can get the necessary skills and qualifications to succeed in the sector.¹⁵
- Work with relevant stakeholders to increase women’s awareness of their employment rights, especially in relation to equal pay and how to enforce them.

4.5 Gender pay metrics

- The Commission has published a consultation paper on developing a set of measures for reporting on the gender pay gap. The findings of this Inquiry into pay and discrimination in financial services will be fed into that work.¹⁶ The majority of companies required by this Inquiry to submit questionnaires appeared to have difficulty providing the information we asked for and we will make sure that the pay metrics measures established at the end of this process will be robust, fair and fit for purpose in finance sector organisations.

4.6 Gender equality duty

- The statutory duty to promote gender equality applies to the Financial Services Authority (FSA), which is the single regulator of the financial services industry. The Gender Equality Duty code of practice states that ‘a public authority may have functions which have the potential to address the gender pay gap in a wider policy sense’, and if so, ‘the public authority should also be considering whether it can address the causes of the gender pay gap within that wider remit where appropriate.’¹⁷ The Commission will discuss the opportunities for targeted actions led by the FSA in accordance with its duty to promote gender equality in the industry. The FSA has already published a gender equality scheme, which contains a number of commitments to improving equality between women and men within the agency itself, and also commits to ‘sharing good and pragmatic practice on gender equality ... externally across the sector.’¹⁸

¹⁵ The Financial Services Skills Council has signalled that the financial services sector in London at least needs to improve its policies and practices related to staff recruitment (and training). This provides an opportunity to make sure women’s education, skills and talents are fully used in the sector and link up with initiatives to increase the representation of women in mathematics and engineering degree courses.

¹⁶ Equality and Human Rights Commission, *Proposals for promoting greater transparency in the private sector*, www.equalityhumanrights.com/uploaded_files/consultations/gender_pay_consultation.pdf

¹⁷ Equality and Human Rights Commission, Gender Equality Duty code of practice, para 3.56.

¹⁸ Financial Services Authority, Gender Equality Scheme, 2007–10, p. 9.

4.7 Codes of practice on the equality bill

- The Commission will consider the particular needs and practices of the financial services industry in developing the statutory and non-statutory codes of practice that will accompany implementation of the new single equality bill/Act. The findings and recommendations of this Inquiry will be referred to that process, and targeted consultations with finance industry stakeholders following this Inquiry will be held.

4.8 Treasury select committee Inquiry on women in the finance sector

- The Commission will give evidence to the Inquiry called ‘Women in the City’, which was announced by the Treasury committee on 30 July 2009 to investigate sexism and gender pay gaps in the UK’s finance sector. The committee will take evidence on the role of women in the City, developing themes that have emerged in the course of its banking crisis Inquiry relating to corporate governance. Although the investigation details ‘the City’ for convenience, the evidence will relate to major financial institutions in the UK wherever they are situated.

The committee seeks written evidence on:

- the proportion of women occupying senior positions in major financial institutions and the extent of glass ceilings to promotion
- pay inequalities
- the prevalence of flexible working practices
- the extent to which the culture of the City is sexist, and
- the prevalence of sexual harassment and exploitation.

The Treasury committee is calling for evidence on the role of women in the City and research on the number of women in senior roles in financial firms. Evidence is expected to cover pay and promotion inequality, flexible working, culture, sexual harassment, and themes relating to corporate governance, which emerged during its banking crisis Inquiry.



5 Background and aims of the Inquiry

The Commission carried out this Inquiry to investigate the nature and causes of gender discrimination and inequality in financial services organisations, and to identify effective solutions.

Previous studies indicated a particularly large gender pay gap and unique barriers for women working in this sector, and these have persisted despite some attempts to tackle them. Turmoil in the finance sector gave rise to fears that inequalities were being exacerbated. The Commission therefore decided to conduct this Inquiry using its legal powers under section 16 of the Equality Act, which include mandatory disclosure powers, to access information that may not be otherwise available. The Inquiry is Great Britain-wide, with Britain divided into four areas: London, England outside London, Scotland and Wales.

The terms of reference of the Inquiry are to:

- inquire into the gender pay gap and pay trends across the financial services sector
- inquire into the extent and nature of sex discrimination in relation to recruitment, terms and conditions, promotion, career paths, retention, and workplace culture across the sector
- examine measures used by employers and other organisations to address sex discrimination and inequalities in pay and status, and to assess the effectiveness of such measures
- assess and analyse the differential impact of job losses in the sector
- consider any other matters that the Commission considers to be relevant to the above, and
- make such recommendations as are appropriate.

5.1 Inquiry methods

The Commission's methodology is detailed in Appendix 2 of this report.

In brief, the Inquiry gathered evidence by the following means:

- A research report on the finance sector was commissioned to provide a profile and literature review on gender equality in the sector. An executive summary of the report, *Employment and Earnings in the finance sector: A gender analysis*, is included here as Appendix 5.
- Using its legal powers the Commission issued a questionnaire to 50 randomly selected organisations in the financial services sector about their pay and employment policies and practices.
- The Commission issued a public call for evidence on 9 April 2009 to gather individual experiences and views on the issues being investigated.
- Discussions were held with legal and industry experts, including seminars and interviews with the Inquiry evidence panel.



Part 2

6 The workplace reality of unequal pay and sex discrimination

This section reports on organisational and individual level analyses of unequal pay and sex discrimination from the financial services sector across Britain. Core analysis is based on data derived from the Commission's questionnaire to companies, and supplemented with evidence from individuals and interested parties working within the sector. The analysis was conducted by the Scottish Centre for Employment Research (SCER).¹⁹

The first part profiles the composition and employment patterns of the sector before highlighting the extent of the gender pay gap in the sector. The next part provides a brief outline of the research methods before presenting findings and analysis of the data.

1. Financial services composition and employment patterns

- 1.1 The financial services sector is a significant contributor to the UK economy and is often used as an exemplar of the type of knowledge-intensive, innovative sector favoured by government. Financial services tend to be clustered, with the largest cluster in and around the City of London, servicing UK and international markets. Scotland (with clusters in Edinburgh and Glasgow) is also important; several insurance and asset management companies have headquarters in Edinburgh.²⁰

¹⁹ SCER was contracted to undertake the scrutiny and analysis of the questionnaires, and to supplement this with the other evidence received by the Commission. For further information see the Inquiry methodology in Appendix 2.

²⁰ Scottish Enterprise (SE), 2008/9, *The financial services industry in Scotland*, www.scottish-enterprise.com

Financial Services Inquiry

There are smaller clusters in Bristol, Norwich, Leeds and Manchester, which service regional or UK markets, and Cardiff, Belfast and Birmingham, which service specialised markets.²¹

1.2 Although heterogeneous and comprising many sub-sectors, the sector is dominated by banking (which includes both ‘wholesale’ and ‘retail’ banking²²), and insurance and pensions. Some of these sub-sectors are not only major players in the City of London and significant contributors to the UK’s GDP; they are also the largest of their kind in Europe, as the insurance industry highlights.²³ In other sub-sectors, wholesale financial services, for example the UK is a world leader.²⁴

1.3 In 2008 the financial services sector provided 1.3 million jobs in Britain, employing around four per cent of the workforce. This employment is disproportionately concentrated in London.²⁵ Across Britain, banking dominates the sector with 43 per cent of employees (building societies only account for two per cent) whilst 39 per cent of employees work in insurance and pensions or related auxiliary activities.²⁶

1.4 Men and women make up almost equal proportions of employees within the sector. Over the five-year period 2003–8, women constituted on average 51 per cent of the overall workforce, although there has been a marginal decline in recent years (2007/8), with the percentage of female employees dipping just below 50 per cent. However, there can be differences within sub-sectors: there are more women than men working in building societies, and more men than women working in fund management and securities for example.

²¹ Financial Services Skills Council (FSSC), 2008a, *Financial Services Clusters*.

²² Wholesale banking focuses on providing services to other banks, companies and government, and includes, for example, corporate finance, foreign exchange and trading. Retail banking mainly involves offering credit to and managing transactions and collecting deposits for the general population (Moles and Terry, 1999).

²³ Association of British Insurers (ABI), 2007, *UK Insurance – Key Facts*.

²⁴ FSSC, 2007, *Skills Review: UK Wholesale Financial Services*.

²⁵ Metcalf and Rolfe, 2009, Chapter 2, *General description of the Finance Sector*, p. 10.

²⁶ Metcalf and Rolfe, 2009, Chapter 2, *General description of the Finance Sector*, Table 2.1, p. 7.

1.5 Occupational segregation and concentration are more marked in financial services than across the economy as a whole. There are almost twice as many male managers as female managers. There are more than twice as many male as female professionals, and more male than female associate and technical workers.²⁷ Historically, women were recruited into routine clerical jobs²⁸ and they still dominate such 'junior posts' in financial services: there are half as many again female as male sales and customer service workers; and there are almost three times as many female as male administrative and secretarial employees.²⁹ This occupational segregation is reflected in the concentration of women in call centre and retail banking branch jobs.³⁰

The gender pay gap in the sector

- 1.6 An established body of research into the gender pay gap and the systemic undervaluing of women's work has identified the kinds of pay practices most likely to give rise to pay discrimination. These include discretionary bonus systems and lack of pay transparency.³¹ The Inquiry was therefore concerned to investigate both whether these practices prevailed in the finance sector companies and what good practice was going on in the sector.
- 1.7 For both men and women, pay in the financial services sector is generally higher than that in other sectors. However, the difference in annual gross earnings (which includes basic pay, bonuses and allowances) for men and women is also higher in the sector compared to that for Britain generally. The gender pay gap in the finance sector is much higher than in the economy as a whole, with differences in hours and additional payments contributing less to this disparity than hourly pay.³²

²⁷ Metcalfe and Rolfe, 2009, Chapter 3, *Employment patterns*, p. 17.

²⁸ Rubery et al., 1992, *Occupational Segregation*.

²⁹ Metcalf and Rolfe, 2009, Chapter 5, *Employment patterns*, p. 17.

³⁰ Department of Trade and Industry (DTI), 2004, *The UK Contact Centre*.

³¹ Grimshaw and Rubery, 2007, *Undervaluing Women's Work*, Equal Opportunities Commission, Working Paper Series no. 53.

³² Metcalf and Rolfe, 2009, Chapter 8, *Conclusions and gaps in evidence*, p. 66.

Financial Services Inquiry

- 1.8 Despite the balance of female and male employment in the sector, a significant pay gap between the earnings of women and men working full-time exists in financial services. Based on mean full-time annual gross earnings, this gap within the sector is much higher than for Britain generally: 55 per cent versus 28 per cent. Based on mean full-time hourly pay excluding overtime, the gap is still comparatively high: 40 per cent versus 17 per cent.³³
- 1.9 There are differences in the composition of the gender pay gap across the sector. It is highest in auxiliary activities (which include stockbroking and fund management) and lowest in insurance and pensions. In insurance and pensions, the full-time gender pay gap is mainly connected to differences in basic pay. In financial intermediation and auxiliary activities it is linked to both differences in basic pay and annual payments such as bonuses and incentives. Moreover, adding bonuses into the total remuneration mix for higher earning employees exacerbates the gender pay gap.³⁴
- 1.10 Awareness of equal pay issues in the sector is alleged to be weak.³⁵ The Financial Services Authority (FSA) is consulting on whether or not remuneration policies, procedures and practices should be regulated. However, the drive for this regulation is unrelated to the gender pay gap.³⁶ Instead, the FSA's initiative is centred on tackling a widespread belief that the current financial crisis is in part due to bonuses incentivising investment bankers and others in the City to pursue short-term profits while disregarding longer-term associated risks.³⁷

³³ Metcalf and Rolfe, 2009, Chapter 4, *Earnings*, Table 4.8, p. 47.

³⁴ Metcalf and Rolfe, 2009, Chapter 4, *Earnings*, p. 47.

³⁵ Amicus, 2007, 'Equal pay = pay'.

³⁶ Financial Services Authority (FSA), 2009, *Reforming Remuneration Practices*.

³⁷ For the FSA's policy statement on reforming remuneration see: www.fsa.gov.uk/pages/Library/Policy/Policy/2009/09_15.shtml

- 1.11 There are some indications of the factors that underpin the financial services gender pay gap. In terms of recruitment and selection, high-value-added wholesale financial services tend to recruit from a small number of select universities.³⁸ Understandably, and quite legitimately, some emphasis is placed on graduates with quantitative and analytical skills³⁹ drawn from university disciplines in which women are under-represented. However, many graduates recruited to the City from this ‘magic circle’ of universities have little practical training in finance. Instead, more emphasis is placed on applicants’ ‘behavioural skills and attributes’, thereby creating an opening for gender bias in selection. Companies want employees with a ‘good fit’ centred on an applicant’s background and character.⁴⁰ This ‘fit’ also extends to these companies’ clients and trading partners, who are mostly male.
- 1.12 By contrast, in call centres, women dominate the lower earning customer-facing jobs because of pervasive norms about women having social skills, such as ‘caring’ and ‘communicating’, which better suit them for such jobs.⁴¹ Thus, in a sector in which men dominate the high-earning jobs and women the lower-earning jobs, self-perpetuation occurs through the ways in which companies recruit and select together with a substantial degree of role stereotyping.
- 1.13 The same cultural barriers that recruit women into lower-earning jobs keep them in these jobs.⁴² Even within call centres, for example, there is occupational segregation and concentration: women cluster in customer-servicing jobs, men cluster in stockbroking and IT roles that are presumed to add value.⁴³ Furthermore, the introduction of call centres has resulted in the closure of many banks’ branches. These closures created flatter organisational structures and limited progression and career routes for women into more senior and better-paid jobs.⁴⁴

³⁸ FSSC, 2007, *Skills Review*.

³⁹ FSSC, 2007, *Skills Review*.

⁴⁰ FSSC, 2006, *Graduate Skills*.

⁴¹ Durban, 2006, ‘Gender, Skills and careers’.

⁴² Durban, 2006, ‘Gender, Skills and careers’.

⁴³ Taylor and Anderson, 2009, *Contact Centres in Scotland*.

⁴⁴ Belt, 2004, ‘A female ghetto?’.

- 1.14 Working practices, not just employment policies and procedures, can also be a problem. Standard working hours are relatively high in the sector, and part-time hours relatively less common. Moreover, an unusual degree of flexibility (especially a willingness to work extra hours or undertake travel at very short notice) is routinely demanded by City employers. Nevertheless, the sector overall employs a relatively high number of employees in the 25–39 age group: the age at which employees are most likely to have childcare responsibilities.⁴⁵ Willingness to undertake unpaid overtime can be a key determinant of pay and career progression, as can presenteeism in the workplace – both of which can disadvantage employees with primary care responsibilities,⁴⁶ most of whom will be women.
- 1.15 The Financial Services Skills Council (FSSC) has signalled that the financial services sector, in London at least, needs to improve its policies and practices related to staff recruitment and training.⁴⁷
- 1.16 There may also be structural effects that contribute to the gender pay gap, with a confluence of gender and spatial divisions of labour. With high value-adding financial services clustered in London, highly skilled (as proxied by qualification) and highly paid jobs are then also concentrated in London and dominated by male employees. Thus, there is a concentration of men in securities and fund management.⁴⁸ Lower skilled, lower-paid jobs dispersed around the rest of the UK are dominated by female employees.⁴⁹ Indeed Scotland markets itself as ‘cost-competitive’ for financial services employment.⁵⁰ Call centres are illustrative of this point, dispersed as they are to peripheral locations with jobs that are predominately female and extensively part-time.⁵¹

⁴⁵ Metcalf and Rolfe, 2009, Chapter 3, *Employment patterns*, pp. 12–14, 35.

⁴⁶ Metcalf and Rolfe, 2009, Chapter 8, *Conclusions and Gaps in Evidence*, pp. 12–13, 65–66.

⁴⁷ FSSC, 2008b, *London Market Skills Review*.

⁴⁸ Metcalf and Rolfe, 2009, Chapter 3, *Employment patterns*, pp. 12, 35; Chapter 8, *Conclusions and gaps in evidence*, p. 65–6.

⁴⁹ Metcalf and Rolfe, 2009, Chapter 3, p. 35.

⁵⁰ Scottish Development International (SDI), 2009, *Financial Services in Scotland*.

⁵¹ International Data Services (IDS), 1998, *Pay and Conditions*.

- 1.17 One possible reason why the highly skilled, highly paid jobs in London are male dominated may be the prevalence of a short-termist ‘reward for risk’ culture in some parts of the sector. For example, US research has suggested that women may be relatively risk averse as fund managers, with more consistent and less extreme investment styles than men. Male fund managers are presumed to adopt a more risky approach.⁵² Without legitimising generalised stereotyping, the evidence suggests that the risk behaviours favoured by institutional investors and rewarded through performance-related pay, helps to encourage gender differentials, despite the fact that female and male fund managers show no significant differences in average performance.
- 1.18 Despite these suggested explanations of the size of the gender pay gap in the finance sector, as Metcalf and Rolfe⁵³ note, our understanding is incomplete. Their report signalled, for example, a lack of information on how recruitment, retention and progression, as well as the longer working hours culture and the attitudes held by individuals and employers, affect gender pay differences in the sector.

2. Research outline

- 2.1 The Commission sought in this Inquiry both to review existing evidence on the gender pay gap in the financial services sector and obtain more information at the organisational level, and from key stakeholders.
- 2.2 The Commission therefore used its powers under the Equality Act 2006 to issue a mandatory questionnaire to 50 randomly selected organisations within the sector.⁵⁴ The aim of the questionnaire was to obtain documentary evidence from a limited number of companies to allow more detailed scrutiny at an organisational level of pay systems and employment arrangements. In this report an overview of the findings from the questionnaire analysis is presented. While not generalisable across the sector, the data elicited by the questionnaire provides important quantitative and qualitative case-study evidence about workforce profiles, pay-setting mechanisms and good equal pay practice.
- 2.3 The data from the questionnaires is supplemented by evidence presented to the Inquiry by current and previous employees, trade unions, employment lawyers and other organisations with an interest in gender equality in the sector. This data is qualitative and is used for illustrative purposes.⁵⁵

⁵² Niessen and Ruenzi, 2009, *Sex Matters*.

⁵³ Metcalf and Rolfe, 2009.

⁵⁴ The relevant legal provisions are set out in Appendix 4. Details of the sampling method for organisations issued with questionnaires are detailed in Appendix 2.

⁵⁵ Details of the research methodology and research tools can be found in the appendices.

2.4 Initially enveloped in the scope of the Inquiry were the 1992/2003 Standard Industrial Classification (SIC) codes 65, 66 and 67 that comprise section 'J': Financial Intermediation. To these sub-sectors were later added SIC 74 to capture the holding companies that operate in some cases across the financial services sector.⁵⁶ SIC 65 is financial intermediation of which the larger part relates to banking and building societies, sub-code SIC 66 to insurance and pensions and SIC 67 to auxiliary activities.⁵⁷ Within the sub-code of banking, for example, the Inquiry extends from regional high street banks to investment houses in and around the City of London; likewise, in terms of jobs, from high-street bank cashiers to investment bankers.



3 Findings

3.1 This section starts with an examination of earnings within the questionnaire organisations and identifies the extent of the gender pay gap within and across companies. It then considers the employment policies and practices and the working and organisational cultures that may underpin this gender pay gap.

Earnings

3.2 The questionnaire asked organisations to provide gender disaggregated data for all job grades/categories on annual basic pay, annual total earnings and annual performance pay for both men and women on a full-time equivalent basis. This data was requested for all employees, plus full and part-time, new staff, and differentiated by geographical location. This data was used to calculate the total pay gap by cases and location, and for full-time and part-time employees. Where the differential between male and female earnings is five per cent or more, it is described as a significant pay gap.

3.3 The information provided shows that women's annual total earnings came close to men's in only three cases, and women earned more than men in only one case.⁵⁸

⁵⁶ Metcalf and Rolfe's (2009) analysis covered only SIC codes 65–7.

⁵⁷ For full details of the 1992 SIC codes, see Office for National Statistics (ONS), 1997, *Indexes to the UK Standard Industrial Classification of Economic Activities*. For a summary of Financial Intermediation SIC codes, see Metcalf and Rolfe, 2009, Appendix A.

⁵⁸ For further information see Table 4, page 68.

- 3.4 More detailed analysis shows that in 89 per cent of cases there is a significant gap between the average annual basic pay of men and women (that is, where women earn annual basic pay of 95 per cent or less of men's annual basic pay). In over 60 per cent of cases examined, women's average annual basic pay was considerably lower: 75 per cent or less than men's basic pay earnings.⁵⁹
- 3.5 Based on responses from the 49 cases providing full data on annual total earnings, women employees earned on average £27,747, compared with £52,743 for men. These figures give a gender pay gap of 47 per cent for annual total earnings. Similarly, 50 cases provided full data on annual basic earnings for which the averages were £23,622 for women employees and £38,604 for men, giving a gender pay gap of 39 per cent for annual basic earnings. These figures are based on full-time equivalent earnings, including those of part-time employees who will only receive a proportion of the pay rates reported.
- 3.6 The fact that the gender pay gap is not just historical but is being reproduced is confirmed by the information that the companies provided about the pay of new staff.⁶⁰ In 86 per cent of cases, female new staff earned significantly less than their male counterparts.⁶¹

Performance-related pay

- 3.7 The questionnaire asked companies to provide data on the total performance-related payments made to men and women. In most companies, some or all employees were eligible for bonus or other form of performance-related remuneration. These payments constitute the main difference between basic pay and total earnings.
- 3.8 The information they provided showed that in 94 per cent of cases women's performance-related earnings were significantly lower than those of men.⁶² Data from the 42 cases providing full information on annual performance-related pay showed women employees earning £2,875 on average and male employees £14,554 on average. Again, these figures are based on full-time equivalent earnings.
- 3.9 The questionnaires did suggest that a small number of women are achieving high earnings in some of these companies, and in even rarer cases, can earn more than their male counterparts. This small group of women is atypical, as an industry insider said during an oral evidence session:

[They] identified very much with the organisation ... they had been successful, even though that involved, generally speaking, not having children or having a nanny or being so senior that [their] company flew [a] nanny to China ... so that they could look after [the] baby, which is obviously not open to 99.9 per cent of women in the sector.

⁵⁹ For further information see Table 1, page 66.

⁶⁰ A finding for financial services that is not surprising given the general findings about gender pay gaps reported by Grimshaw and Rubery, 2007, *Undervaluing Women's Work*.

⁶¹ See Table 2, page 67.

⁶² See Table 3, page 67.

Total annual earnings

- 3.10 The organisations provided information on total annual earnings; that is, basic pay supplemented by performance-related payments. It revealed that women's annual total earnings were less than men's in 94 per cent of cases. The mean total annual earnings for women has a range from £15,556 to £332,126. For men the equivalent figures range from £17,079 to £412,721.⁶³ Gender pay inequality is intensified by performance-related pay.
- 3.11 Overall, across the questionnaire cases for the three measures of earnings, it is clear that women earn significantly less than men in 89 per cent or more of cases for each of basic pay, performance-related pay and total annual earnings.



In-grade pay differences

- 3.12 A number of the companies noted in their responses to the questionnaire that any calculation of the total gender pay gap at a case level would be influenced by the degree of occupational segregation in that organisation.
- 3.13 It was not possible from the questionnaire data to systematically examine occupational segregation in aggregate terms. However, there is clear evidence from the individual cases of distinctive patterns of vertical segregation. Women are disproportionately over-represented in the lower job grades/categories and disproportionately under-represented in more senior positions. Two illustrative examples show this. One company, in which women constituted 31 per cent of all employees, reported six job grades. Women made up 75 per cent of the lowest (untitled) grade and none of the two highest grades. In another case, women comprised 56 per cent of all employees, yet 69 per cent of clerical staff, 41 per cent of junior management and 18 per cent of senior management.
- 3.14 The data provided by companies was analysed by job grade/category and highlighted all grades where women were paid 95 per cent or less than men in basic pay, total earnings and performance-related pay. This revealed that even within equivalent occupational grades, women are often paid significantly less than their male counterparts, potentially exposing their employers to the risk of equal pay claims.

⁶³ See Table 4, page 68.

- 3.15 It is important to note that the questionnaire did not prescribe the way in which companies should present their pay data. Rather, it invited companies to group equivalent job grades/categories in the way they considered most appropriate. The findings indicated a total of 456 identifiable job grades/categories across all cases. Women were present in 410 grades (that is, in 90 per cent of grades) while men were present in 443 grades (that is, in 97 per cent of grades). Women are, therefore, more likely to be absent from certain grades than men, which may suggest discrimination, barriers, and/or exclusionary practices.
- 3.16 The company data showed that in-grade gender pay gaps exist in 95 per cent of cases. In only five per cent of cases were there no job grades/categories with a significant gender pay gap.⁶⁴ In 63 per cent of cases, more than half of all job grades/categories exhibited a significant gender pay gap. The prevalence of in-grade pay inequality suggests that the pay gap may not simply be a consequence of vertical occupational segregation but also reflects a failure to ensure equal pay for equal work.

Part-time work

- 3.17 Many women in financial services work part-time, and the questionnaire requested company information on pay profiles for full-time and part-time workers. However, as there are few part-time male employees meaningful comparison was difficult.
- 3.18 Other evidence presented to the Inquiry suggested that some senior female employees downshifted to more junior and part-time positions in response to the challenges that they faced in combining working at a senior level with care responsibilities, often following a return from maternity leave. One respondent noted: 'I have come across a few managers who have come back (from maternity leave) and they have just thrown in the towel and said, "Do you know what? I am going to be a cashier because I cannot do this".' Their decision to downgrade, however, appears to reflect the constrained choices facing some senior female employees and not a considered cost-benefit analysis by the employer of losing the skills of a highly trained and experienced member of staff.

⁶⁴ See Table 5, page 68.

Pay differences by geographical location

- 3.19 Given that there is a suggestion that spatial location can be a contributory factor in the gender pay gap, earnings were also analysed by geographical location: London, England outside London, Scotland and Wales. Data relates to employees working in these regions rather than the location of company headquarters.⁶⁵
- 3.20 Questionnaire data showed that women working for respondent organisations in Scotland are much more likely to earn equivalent or higher earnings than their male counterparts than elsewhere in Britain. This finding may reflect the nature of functions undertaken in Scotland rather than any other explanation. High value-adding financial services tend to be clustered in London, and highly skilled (as proxied by qualification) and highly paid jobs are then also concentrated in London and dominated by male employees. Lower skilled, lower-paid jobs dispersed around the rest of the Britain, including Scotland, are dominated by female employees.⁶⁶

Earnings summary

- 3.21 In summary, the earnings data demonstrates a significant gender pay gap within the questionnaire organisations and within most job grades/categories. These gaps persist across basic and total annual earnings and the gap is particularly pronounced for performance-related earnings.

Pay systems and pay review

Job evaluation

- 3.22 The principal mechanism advocated in both the EU and domestic legislative framework for equal pay for determining equal pay for work of equal value in organisations is non-discriminatory analytical job evaluation.
- 3.23 Questionnaire responses revealed that only a minority of the companies overall conducted job evaluations. The incidence of job evaluation showed some differences by SIC code, with job evaluations being somewhat more prevalent in the SIC 65 companies, a sub-sector dominated by banking and building societies.⁶⁷
- 3.24 Job evaluation was used to determine job grading in only a third of organisations. Of those, the Hay System was the most commonly used.⁶⁸ One company operated its own job evaluation scheme. Not only was the practice of job evaluation relatively uncommon, companies on occasion confusingly conflated job analysis with job evaluation. Job analysis identifies particular jobs' components while job evaluation weights these components to rank jobs. Job evaluation is therefore a more sophisticated approach to measuring the relative demands of different jobs. This conflation may therefore over-state the incidence of job evaluation in the questionnaire companies.

⁶⁵ See Table 6, page 69.

⁶⁶ Metcalfe and Rolfe, 2009, Chapter 3, *Employment patterns*, pp. 15, 35.

⁶⁷ See Table 7, page 70.

⁶⁸ The Hay System is a particular type of job evaluation.

- 3.25 The practice of job evaluation was, however, positively associated with a lower gender pay gap in annual basic pay and annual total earnings. Cases that operated job evaluation systems reported that women earned on average a higher proportion of both male basic pay and total earnings than cases that had not conducted job evaluation.
- 3.26 The practice of job evaluation was significantly associated with the presence of trade unions and staff associations. Job evaluation was undertaken in nearly two-thirds of cases in which employees were collectively represented compared with only about a fifth of those cases with no such representation.
- 3.27 For those companies that reported no formal job evaluation scheme, clarification was sought in the questionnaire about the basis of these companies' pay structure. Most responses referred to a mixture of market rates for jobs, performance assessments and geographical location factors.

Pay bargaining/negotiating arrangements

- 3.28 In most cases, companies had complete discretion in setting basic pay. The questionnaire asked whether the organisation had a trade union or staff association recognised for collective bargaining purposes, and whether the company negotiated pay with individual members of staff. Few companies reported that they participate in collective bargaining with trade unions or staff associations. Only 17 cases – that is, 24 per cent – recognised a trade union or staff association.⁶⁹ The nearest government figures for financial intermediation services showed 28.1 per cent of UK employees' pay covered by collective bargaining agreements.⁷⁰ Trade union or staff association recognition for bargaining was most common in financial intermediation (SIC 65).
- 3.29 Although over 40 per cent of cases reported engaging in pay negotiations with individual members of staff, the question on this appeared to have been interpreted in a variety of different ways by respondent companies. The term 'negotiation' can relate to a number of different practices, including joint discussions over starting salaries, joint discussions over performance payments and the extent to which performance targets had been met, and any discussions that might take place with individuals who were considering alternative job offers.

⁶⁹ See Table 8, page 70.

⁷⁰ Department for Business, Enterprise and Regulatory Reform, 2009, *Trade Union Membership 2009*, Table 5.2.

3.30 Overall, it is clear that for the majority of questionnaire companies, pay arrangements are neither regularised by the presence of formal grading systems nor by the activities of trade unions or staff associations. The setting of pay appears to be largely an unstandardised, discretionary process in which the key criteria for pay setting – market rates and individual performance assessment – may themselves be tainted by gender.



Pay transparency

3.31 The questionnaire sought information on the extent of transparency in pay policy in general and in particular in relation to performance-related payment systems. Companies were asked if they published pay scales or ranges, performance targets, the criteria for earning performance payments, and any other pay-related benefits.

3.32 On aggregate, 35 per cent of cases reported in response to these questions that pay scales were published and made available to employees, 67 per cent of cases said performance targets were published, and 74 per cent of cases said the criteria for earning performance payments were published and other pay-related benefits were said to be published in 88 per cent of cases.

3.33 However, analysis of company policies submitted with questionnaires indicated that in some cases pay scales were only selectively made available. Some companies noted, for example, that ‘employees are aware of the salary range for their current grade and for the grade above’, while others specified particular (usually senior) grades for which this information was not made available. Performance targets and criteria for performance payments were also published only for certain job grades/categories in some cases.

The workplace reality of unequal pay and sex discrimination

- 3.34 Adjusting for those cases in which there appeared not to be full disclosure, transparency diminished.⁷¹ In only 23 per cent of cases were pay scales made available to all employees, and it is possible that even this figure includes some companies in which not all pay scales were generally available but who did not clarify this in their responses.
- 3.35 The responses on publication of performance targets may also exaggerate the extent of transparency. It is clear from the policy documentation provided with questionnaires, that companies often interpreted this question as asking whether information on performance targets and performance criteria was made available to individuals rather than to employees as a whole. That is to say, individuals would know their own performance targets and criteria but may not know targets and criteria for other individuals and work groups. Thus, some companies indicated that this information was ‘only ‘published’ via the employees’ appraisal’ or through ‘individual sales incentive/bonus scheme letters’. By way of example, a team manager noted in evidence presented to the Commission that he would know the pay of members of his team as he would be directly involved in negotiations determining his team members’ pay, but not know the pay of his peers: the other team leaders.
- 3.36 It is important to note, however, some examples of particularly good practice in relation to pay transparency. One company reported that they made available to employees data on average bonus payments stratified by gender, while in another, employees are able to view their current and historical salary details and where their pay sits within the range for their role via the company’s online human resources self-service tool.
- 3.37 The presence of trade unions and staff associations is positively related to the transparency of pay arrangements. Organisations in which trade unions or staff associations are recognised are also more likely to publish information on pay scales to employees: 70 per cent of cases with trade union or staff association recognition reported publishing pay scales compared with nine per cent of cases without.⁷²
- 3.38 A lack of transparency and, indeed, a culture of secrecy around pay create the conditions within which gender pay inequalities can flourish. Lack of transparency allows women and men on the same grades, and even with the same job titles and therefore on the face of it doing equal work, to receive markedly different pay. Consequently, many of those who gave evidence to the Commission noted that requiring companies to be more transparent in relation to payment systems and outcomes would help uncover discrimination and represent an important first step in addressing it.

⁷¹ See columns one and two of Table 9, page 71.

⁷² See Table 10, page 71.

Performance-related pay, secrecy and management discretion

3.39 All questionnaire organisations reported that some element of pay was performance related. Performance-related payments can be based on individual, group or company performance, or a mixture of all. In almost all cases performance-related payments were discretionary rather than contractual. Company policies outlined in general terms the criteria by which these performance-related payments were awarded.

3.40 However, there was considerable variation in how individual awards were made. Both objective and subjective performance criteria were reported. On both criteria, however, although much more significantly on the latter, line management discretion was key. Line managers not only assessed individual performance, they also regularly made decisions about how the resources available to reward and incentivise staff would be distributed across performance categories.

3.41 According to oral evidence presented to the Inquiry, line management discretion afforded wide scope for discrimination, and two forms of gender bias were reported. The first related to gender differences in assertiveness: men were reported as having a greater propensity to request or negotiate higher pay:

‘... it’s all very haphazard ... It’s a gut feeling. I have £100,000 to play with ... how much extra do they give to person X rather than person Y? Give a bit more to Y because they told me they are going to leave, X, I think she will stay; women tend to stay ... in the industry and stick it out. They don’t tend to be the ones saying, “If you don’t pay me I am going to leave”, and so you end up greasing the squeakiest wheel.’

3.42 Women were reported by these witnesses to be more reluctant to negotiate for higher pay:

‘Women generally find it very uncomfortable to ask for pay and I have heard this from all the women who have worked for me over the years. If they do a good job they get paid for doing a good job ... Men tend to say it doesn’t matter if they do a good job or not ... they can lobby and hustle ... they will be more forthright about pay.’

3.43 Having different attitudes to negotiating rewards presents a particular difficulty for women in the context of often ill-defined performance criteria and significant management discretion.

The workplace reality of unequal pay and sex discrimination

- 3.44 This problem is compounded by a second source of gender bias in the management of performance-related rewards – discriminatory and derogatory attitudes amongst some managers about female employees. In the Inquiry’s oral evidence sessions and seminars, examples were given of managers who were oblivious or dismissive of women’s performance. As one witness said:
- ‘... middle management make the decision ... some men who are making these decisions are naturally less encouraging of female talent or would say things such as: “She’s just got married, she’s going to have a baby soon, there’s no point in paying her this year.”’
- Another was more blunt in describing management’s position: ‘We won’t pay her, we will pay him: he’s not going to have a baby.’
- 3.45 Notwithstanding the widespread existence of well-formulated equal opportunity policies within some companies, there remains a lack of transparency about pay and bonuses in the sector. ‘Bonuses,’ said one witness, ‘are absolutely sacred. No one discusses them.’ Although witnesses raised the issue about the legality of gagging clauses, many of them commented on the culture of secrecy that pervades companies in the sector:
- ‘... every time the pay rounds come round, even bonuses, people are always told by their managers: “If you discuss it, you will be disciplined”... I don’t know a case where someone has actually been disciplined. It is always a threat to people to stop them discussing it, so people don’t find out how little they earn really and how much they are being discriminated against in the pay area.’
- 3.46 In this respect, as one witness noted, men have a pay advantage over women with care responsibilities: ‘a male colleague that can get in early, leave late, work weekends, will get a higher rating’. The culture of presenteeism, discussed later, may compound the problems arising from the lack of transparency and high levels of management discretion.
- 3.47 Implicit within the company responses to the questionnaire is perhaps a more fundamental challenge in addressing gender pay inequality within the financial services industry. A number of companies acknowledged in their responses and in accompanying policy documentation that both basic and performance-related pay was much higher in income or revenue generating functions than in other job grades/categories where women are concentrated. None of the organisations, however, questioned the assumptions underlying these arrangements. Specifically, the efficacy of pay systems in which the rewards accruing from revenue-generating functions accrue largely to the individuals or group directly involved and not to individuals and groups involved in other – often support – functions. No consideration appears to have been given, for example, to the positive effect of such support on the revenue-generators’ ability to generate revenue. In companies in which pay arrangements cannot be objectively justified, a key challenge is the need to think creatively about the equality implications arising from the ways in which different types of work are graded, rewarded and incentivised.

Pay monitoring

3.48 Given the highly discretionary and largely invisible processes by which pay, and performance-related pay in particular, is set, the extent to which companies monitor and review the outcomes of pay setting becomes crucial to the delivery of equal or unequal pay. The questionnaire asked companies whether they undertook equal pay audits or reviews as well as whether they monitor starting salaries or performance-related payments by gender. Such monitoring should form part of any equal pay review, however responses showed that this is not always the case.

3.49 Only a minority of cases (15 cases or 23 per cent of responses to this question) reported having undertaken an equal pay audit or review; that is, comparing the pay of women and men doing equal work, identifying any equal pay gaps and eliminating those pay gaps that cannot be satisfactorily explained on grounds other than gender. Coincidentally, this figure, based on only 66 cases, exactly matches the percentage found by a recent survey commissioned by the Equality and Human Rights Commission into the incidence of employers carrying out equal pay reviews.⁷³

3.50 Companies were also asked to provide information on whether they monitored performance-related payments by gender and less than a quarter of cases (15 in total) reported that they do so. This is identical to the number of cases reporting having carried out an equal pay audit or review, however only eight cases report carrying out both an equal pay audit and monitoring performance-related payments by gender. This suggests that scrutiny of performance-related payments does not automatically form part of an equal pay audit. It may also be an overstatement since some cases answering yes to monitoring by gender referred to practices that appeared, on the face of it, to be minimally interventionist, such as having a member of the human resources team 'sign-off' bonus arrangements for line managers.

3.51 Even fewer organisations (only three cases) reported that they monitor starting salaries by gender. Given the earlier finding that gender pay gaps are being reproduced in the pay of new staff, this lack of monitoring is of particular concern. It also suggests that many equal pay audits are not scrutinising starting salaries as part of the process. Combined with the low frequency of monitoring of performance-related payments by gender, there appears to be only limited understanding of the requirements of an equal pay audit or review.

⁷³ Adams, Hall and Schafer, 2008, *Equal pay reviews survey 2008*, IFF Research, Equality and Human Rights Commission research report 2. The report defines equal pay review activity as having conducted an equal pay review, being in the process of conducting one or having plans to do so.

The workplace reality of unequal pay and sex discrimination

- 3.52 More generally, companies were asked to report any efforts that they had made to reduce the gender pay gap in their organisation in recent years. Less than half of the cases reported that they had made some effort to address the pay gap in their company, and there was considerable variation between cases in terms of what such efforts meant. Some contrasting examples illustrate this point. One company reported having undertaken a three-year trend analysis of average salary by gender in 2007, which highlighted that more meaningful investigations of the gender pay gap were needed. In other cases, however, respondents simply referred to the existence of an equal opportunities statement or policy, not all of which made any explicit reference to gender pay equality. Alternatively, companies made reference to how they had resolved individual gender pay gap issues; for example one company stated that ‘any individual issues that have arisen have been dealt with promptly and on an individual basis, taking into account any wider implications.’
- 3.53 A number of witnesses to the Inquiry suggested that the lack of transparency in pay systems and pay-setting would be overcome if more companies implemented equal pay audits. As one stated: ‘We believe that transparency is needed because it is only with transparency that we’ll know facts.’
- 3.54 In addition to revealing any potential gender pay discrimination, these audits can indicate actions, such as training or mentoring by firms, which might help overcome discrimination. In this sense, audits could become ‘win-win’ situations, helping employers meet their statutory equal pay requirements and allowing employees to access information relevant to pay equality without resort to the statutory questionnaire procedure available under the Equal Pay Act 1970 as amended in the Employment Act 2002.
- 3.55 Equal pay audits were much more common in companies where trade unions and/or staff associations were present. These pay audits existed in 47 per cent of companies in which employees were collectively represented compared with only 13 per cent of those companies with no such representation.

3.56 However, equal pay audits are not a magic bullet. It can be difficult for firms to implement these audits during periods of turbulence, for example during merger and acquisition activity. Implementing pay audits effectively also requires competently trained and experienced human resources staff. Moreover, some witnesses suggested that the effectiveness of pay audits is best levered with participation of trade unions and the support of government. For example, one witness noted that:

‘[Our company’s] equal pay review kit was ... launched in 2002 ... but it was accompanied by a huge push, not just from the Equal Opportunities Commission, but [by] the then secretary of state ... who actually wrote to the chief executives of most of the major companies and said, “I would like you to come and tell me about the outcome of your equal pay reviews, to come back to me on such and such a date.” It concentrates the mind wonderfully ...’

3.57 Witnesses reported that employers frequently resist conducting pay audits because of perceived cost, though some suggested that organisational priority rather than cost was the real issue. It was also suggested that some organisations take a calculated risk that they can hide elements of pay discrimination, knowing that the chances of a successful challenge are very limited given how difficult it is for individual women to mount successful equal pay claims:

‘People are very reluctant to take a grievance out. Very often, it’s the last resort. They are at their wits end and they do it because they feel they have absolutely no alternative and they do it reluctantly.’

‘I have spent considerable monies making my claim so far, and financing this is particularly difficult ... a huge financial strain. I and most employees in my situation are unable to work through the associated health impact such situations bring ...’

‘... as a union you get so many cases and you say, “We need to take this further” and they back off, and that is understandable ... People just say, “I need the money, I can’t pursue this anymore”.’

Employment policies and practices

3.58 This sub-section reports on recruitment and selection, and the career progression issues facing women as well as policy and practice in relation to working hours, flexibility and maternity.

Recruitment and selection

3.59 The questionnaire requested information on the recruitment channels used by the companies. The vast majority reported using a range of methods including direct (formal) recruitment (92 per cent of cases), direct informal recruitment through personal referrals (82 per cent of cases) and recruitment through agencies (92 per cent of cases). Eighty-six per cent of cases used all recruitment methods.

3.60 Some witnesses claimed that men and women, while going through the same recruitment and selection processes, had different, gendered experiences of those processes. In short, and potentially illegally, women and not men were asked about their family circumstances and responsibilities, and human resource staff were often too marginal within companies to prevent such questions being asked. More generally, the weakness of human resources staff relative to operational management was noted by one trade union respondent who reported that in a number of organisations 'large sheaths' of policies had been developed by human resources 'but there was no sense that management actually knew that those [policies] existed.'

3.61 The profile of male and female work, particularly the pattern of occupational segregation, suggests that there is a sorting by gender into jobs. Certain tasks, particularly administrative and customer service, are then strongly associated with women's work. This has two consequences: male workers either become reluctant to undertake these tasks or quickly progress out of them. As one witness noted: 'male staff refus[ed] to engage in what they described as "women's work"... Consequently, this work fell disproportionately on female colleagues at the same level.' Because such tasks were perceived as being women's work 'men were quicker to be taken off the cash', for example.

3.62 Not only are women often recruited into lower-paid jobs, there is a tendency for them to become trapped in these jobs. This outcome occurs due to a number of intersecting processes. There is some indication from the oral evidence and seminar discussions that gender affects both training availability and experience. It was reported that men can receive greater encouragement to undertake training beyond the job, while women receive job-specific training. In addition, men's employment is more likely to be characterised by continuous service, so that progression is upward. By contrast, because women are more likely to have interrupted service, their employment is marked by exit from and return to the same job. In some cases, it can even mean returning to a lower grade. As one witness reported: 'I was promised partnership promotion but then I got pregnant and it all went out the window.'

3.63 While the relationship between gender and length of service across job grades/categories was not wholly consistent, some of the questionnaire evidence suggested that women's service was at least as long, if not longer, than their male counterparts. Some witnesses reported that, in any case, promotion was often at middle management's discretion, most middle managers were men, and some held unfavourable attitudes about women workers:

'Pockets of middle management have an attitude, for whatever reason, that women are more trouble than men. Women are more likely to go off on a maternity leave and ask for flexible work, women are more likely to complain about stuff and blame sex discrimination ... one male manager dealing with these says – and he has said – that "I'm not having more women because they're a [expletive] nightmare".'

The long hours' culture

3.64 Women are not only disadvantaged by the attitudes of some managers but perhaps more systematically by working practices. One of the most problematic issues raised by women in evidence and discussions in the Inquiry is working hours: both long hours and unsocial hours.

3.65 While the standard working day in the City of London, for example, can be 9am–6pm, there are often early morning team meetings and a requirement for contact with clients late into the night. As a consequence, actual working hours can be much longer. This potential for long working hours is acknowledged within some of the contractual data submitted with the questionnaires. Many contracts specify a requirement for additional hours, often without pay, as the demands of the task or the clients dictate. One extreme example was a contractual stipulation by one company – with standard operating hours of 8am–10pm – that employees were deemed to have waived their Working Time Regulations rights. More generally, the practice and the culture of long hours prevalent in much of the sector poses difficulties for all employees but particularly for employees with caring responsibilities, as a number of witnesses explained:

'Long working hours for higher-graded and higher-paid roles are the norm and make it difficult for women with childcare and caring responsibilities to carry out these roles.'

'... if she is not there from 5am until 7pm, someone else has to cover that work and that market's open ... there's a whole desk of 20 of them covering it and she would be the only one that wasn't, so in that sense, their point is: "I don't care if it's man or a woman, but not that person"... They don't say, "We need a man for this job because it's a long hours job or management job."'

'I am frequently doing 14 hours a day, I don't cover customers like that, but I have people who I have to work for in Tokyo, Hong Kong and New York, so I will do my conference calls at New York at 10pm after I have put my son to bed and my conference calls for Asia at 7am. Sometimes I have a call in the middle of the night that I have to do. When I say "have to" we have choices in life but these are my choices and that's the expectation of the job.'

- 3.66 The ability to work long hours – or not – affects both pay and status, and presenteeism is often used as a proxy for performance by managers, according to a number of respondents. Employees who are able to work long hours are those that obtain higher pay and promotion. As one witness put it: 'the people who get the extra money are the people who can work late, come in weekends ... Whereas often women cannot do that because of childcare or elder care issues.' It was also reported to the Inquiry in oral evidence and seminars that employees did question this presenteeism with management: 'They don't understand when we're doing a good job, they don't value the quality of customer service or our responsiveness to other teams ... they just look at what hours we're in the office.' Managers would telephone the office an hour before the start of the working day, said one respondent, 'to take a head count of who was in at their desk and if someone left at 4.55pm when they were supposed to finish at 5pm, the entire office would say: "Thanks for coming in, enjoy your early night."'
- 3.67 This strong culture of presenteeism and long hours was detailed in a case study of a bank. At senior levels there was little adjustment to accommodate responsibilities, which excluded women with caring responsibilities. The authors noted that '... structural solutions introduced by organisations in the industry are still not making their full impact and need to be reinforced with cultural level change that makes it acceptable for "successful" female (and male) managers to take advantage of family-friendly working practices and policies.'⁷⁴
- 3.68 Long hours were not the only problem facing women in the sector. A related problem discussed in evidence to the Inquiry centred on unsocial hours working in retail banking, as many retail banks are now offering Saturday working as standard opening hours. Weekend working can be a problem for employees with care responsibilities, specifically those who are lone parents. Few crèches or nurseries are open on Saturdays, for example, making it difficult for these women to work Saturday mornings. Alternative childcare arrangements can be expensive and typically beyond the reach of these employees, predominantly women, who can be earning as little as £12,000–13,000 pa.

⁷⁴ See Ogden et al., 2006, *Clearing the way for gender balance*, pp. 40-53.

Flexible working

3.69 The Commission warmly welcomed the introduction and subsequent extension of the right to request flexible working, seeing this government initiative as one of the most effective ways of improving the balance of caring responsibilities between men and women. The government has itself regularly monitored the uptake of the right. The government's own surveys show that awareness of the right is lower amongst men than among women (in 2009 19 per cent of women as compared to 13 per cent of men knew of the right for parents of children under six to ask to work flexibly).⁷⁵ Given these recent developments, the questionnaire asked companies for information about their flexible working policy and practices.

3.70 Companies were asked to provide a copy of any flexible working policy that existed or, alternatively, to outline their approach to flexible working. Flexible working policies were reported and provided in the vast majority (93 per cent) of cases. Some flexible working policies simply reflected existing statutory provisions and concentrated on the nature of the statutory entitlement to flexible working and the procedure for making an application. Others were much more extensive, outlining not only the procedures for making an application to work flexibly but also detailing the various and wide-ranging forms that flexible working can take, and stressing the potential individual and business benefits of flexible working.

3.71 In all but one case, the policy on flexible working applied to all job grades/categories. Around one-third of the policies provided did not specify particular forms of flexible working but of those that did almost all encompassed flexible full-time working, moving to part-time work and working from home.

3.72 Companies were asked to provide a breakdown of requests to work flexibly by grade and gender for the years 2006, 2007 and 2008. Many companies indicated either that such data was not available due to a change in IT systems or that it was not collected. Useable data was provided in 24 cases for the year 2008. Comparing this data to the level of employment in the company in 2008, on average, just under two per cent of employees submitted a request for flexible working, with a range from 0.1 per cent to 4.7 per cent. Despite the limitations of the data provided by the companies, it appears that most requests for flexible working came from women, although on a more positive note male employees were more likely to make such a request in 2008 than in the preceding two years. According to the companies, the success rates of formal requests for flexible working were high (mean of 90 per cent, with a range of 60–100 per cent).

⁷⁵ Elsmore, K, 2009.

The workplace reality of unequal pay and sex discrimination

3.73 One possible explanation for the low numbers of applications for flexible working is the discrepancy between espoused policy and organisational practice. Witnesses raised questions about the extent to which flexible working was encouraged in practice. For example it was reported:

‘There was absolutely no flexibility on the firm’s part to even try to fit in my flexible working request as I was told it was really only for secretaries and not for lawyers or professional people ... all the policies on paper were not really put in practice at all but to comply with laws and for appearances sake.’

3.74 From the comments of witnesses, some banks ‘resist’ requests for flexible working. It seems that such requests are perceived as only being capable of accommodation in an ‘easy market environment’ and that there is no attempt to cost the value to the company of the loss of the investment in training and accrued expertise of losing or downgrading women whose requests to work flexibly are refused, nor to put a figure on the costs of re-recruitment, training and upskilling:

‘One woman who was denied flexible working was a fantastic sales person, one of the senior sales people in the group and the best producers. They wanted her doing 5am to 7pm Monday to Friday, and even if she could find a childcarer who would work those hours, she wanted to see the child during the week. She asked for reduced hours, five days a week, but she asked to come in at 8am rather than 5am. They said no so she left the industry.’

3.75 Witnesses reported that where flexible working requests were granted, some women making the requests shifted to lower grades, with lower pay and responsibilities. In retail banking, this could take the form of female managers being relocated to branches and/or reallocated to non-managerial jobs, as the example cited above in the pay subsection illustrated. ‘I work with lots of women that have come back and they have been assistant managers and that are now doing personal banker jobs which is a down grade,’ said one witness.

3.76 In addition, the Inquiry was told that women who had made flexible working arrangements were often under pressure from line managers to revert to standard business hours. The trade union submissions to the Inquiry noted an increasing number of claims arising from flexible working requests in recent years. As one witness noted about her own employer: ‘The company has excellent equal opportunities and flexible working policies but there is an issue with their implementation in practice.’ It was even reported that some requests for flexible working had resulted in the applicant being made redundant. It was also reported that sometimes, knowing that her request might be refused or result in a downgrade, women simply left the company. Being aware of this possibility was something that management sometimes exploited, it was claimed.

Maternity leave

- 3.77 Most companies, as identified in the questionnaire, had clearly specified maternity leave and pay policies, many of which were more generous than the statutory minimum. A number of examples of good practice were evident in relation to pregnancy: one company operated a maternity buddy system to support pregnant employees, another offered professional maternity coaching support services, and yet another provided a maternity support programme. Beyond these examples of good practice, most companies acknowledged the provision of maternity-related services and benefits as both an aid to delivering equality and to retaining staff.
- 3.78 However, other evidence to the Inquiry suggested that women's experience of maternity did not always reflect company policy content. Indeed, a number of maternity leave penalties existed. First, a consequence of taking maternity leave was the reallocation of clients to other employees. Often these clients, wishing for stability, would then opt to remain with the other employees once the women taking maternity leave had returned.

As a consequence, these returners often had to start again, building up a new client base, and so were unable to sustain profitable client books. Second, significant proportions of any bonuses that might have accrued to women taking maternity leave are allocated to the other employees who have taken over responsibility for those clients. Thus, these women lose bonus pay and have a weaker client base from which to accrue new bonuses. The outcome of both instances is lower performance-related pay for women. Moreover, the maternity leave penalty could reverberate for a number of years because of the way that performance is assessed and paid, as one witness explained:

‘Essentially if [a woman] goes on maternity leave ... in the year that she goes out, because the bonus is entirely discretionary, the chances are she will be paid a little bit but not very much. In the year that she comes back, her new bonus will be calculated as a percentage of last year, which wasn't very much ... when they come back in their total comp[ensation] is actually about two years old. They don't just lose the one year; they lose the second year as well because of that negotiation. Then what happens is even if they follow the same percentage change as the person who's two years ahead of them, what you have is parallel lines and if you look at eight years after maternity leave, you will find that she's probably where he was two years ago ... So you couldn't just say she's been paid £50,000 less than he is, you have to say last year it was £50,000 and the year before it was £50,000.’

Working and organisation culture

- 3.79 The Inquiry heard compelling evidence that underpinning discriminatory managerial attitudes to women was what many witnesses referred to as a very ‘macho’ or ‘lads’ culture in their workplace. One even referred to it as ‘a boys’ club’. It is this culture that denigrates certain tasks, which then become associated with women’s work, from which men are encouraged to progress so that women become ghettoised, contributing to occupational segregation.
- 3.80 This sex stereotyping of work across the sector was compounded by the sexism that was described by some witnesses as pervading wholesale banking, particularly in relation to client networking. It was noted that clients were often ‘entertained’ in lap-dancing clubs, hostess bars or sport activities such as golf, in which women either felt unable or unwilling to participate or were overtly excluded. As one respondent explained:
- ‘Every single type of activity, whether it was customer-facing or designed to increase cohesion within the organisation was masculine, and so women seemed to be really excluded from participating in all of the informal and other networking.’
- 3.81 As a consequence of being excluded from these client networking activities, women in these organisations were less likely to be able to cultivate clients in the same way as their male colleagues. This sexism also directly impacted in other ways on women’s capacity to secure higher pay. An incident was reported to the Inquiry in which one woman, who wanted to speak to her manager about possible re-grading, was told by the male manager: ‘If you show up for work in fishnets for the next month then maybe we’ll talk about it.’
- 3.82 Even if they had not felt demeaned or excluded, these activities often occurred outside normal working hours so participation was difficult for women with care responsibilities. As one witness explained: ‘All group parties were late at night and so I was unable to attend due to the young age of my child and the fact that my husband worked late nights.’
- 3.83 Another witness summarised the attitudes to and consequent difficulties faced by women in relation to this culture when she explained:
- ‘If you do not attend large drinking sessions, play billiards and speak and act like a man (that is, no crying and never sleeping and never taking any days off for yourself or your children) then you have a small chance of success provided you dress like a model and express a wish never to have children.’

Financial Services Inquiry

3.84 These examples of sexism are a feature of a wider cultural issue in which negative attitudes towards women were commonly reported in financial services organisations. Women, according to these witnesses, were often viewed as ‘a maternity risk’. Male managers were reported as holding negative views about women’s potential or actual childcare responsibilities. Sometimes these views were expressed in overt and shocking terms:

‘... a senior director female who had had two periods of pregnancy, the first period of pregnancy when she came back, someone extremely senior within a global banking institution shouted across the room she should shut her legs and make sure she had no more babies ...’



3.85 Often the men making these remarks regarded them as just workplace banter, the witnesses acknowledged, but they also felt that the attitudes underpinning the humour were reflected in company actions that limited women’s pay and promotion potential. ‘I often explained how positive my figures and budgets were but I was told that I might have children one day and so was not as good a long-term prospect,’ said one witness. Another said that she ‘had to deny that I would have children and pretend that I hated children to get any bonus at all.’ Yet another saw her promised promotion evaporate for the same reason:

‘I was ... berated and put down because I had a child and I was also told that my potential partnership prospect no longer existed now that I had a child and it would be put on hold indefinitely.’

3.86 As a consequence of these attitudes, the Inquiry was told that women lacked confidence to push for pay and promotion. Moreover, anyone making that push would be challenging the stereotype of women. Unlike the men, who were rewarded for being ‘squeaky wheels’, these women were marked ‘as stropky’, suffering condemnation and reprisals by management. With grievance procedures said to be a ‘farce’ or simply ‘ignored’, and with little union support in a sector with low union density,⁷⁶ women who complain therefore can be isolated and feel vulnerable.

⁷⁶ UK union density is 27.4 per cent; 21 per cent for Financial Intermediation (BERR, 2009, Chart 2.3).

3.87 During the economic downturn, a wave of restructuring has centred on headcount reductions amongst the lower grades and the Inquiry was told of fears that women are being disproportionately affected by redundancies. It was even claimed that some companies are attempting to earmark women with imminent childcare responsibilities for redundancies:

‘The company want to make anybody who is currently pregnant and about to go on maternity leave, or are on maternity leave, redundant straight away at the announcement of any redundancies, rather than wait for them to come back and see if there is a suitable role at the end of their maternity leave.’

3.88 While the union within this company was battling to prevent this form of selection for redundancy, another witness was not so lucky, stating bluntly in an oral evidence session: ‘I know why they got rid of me, I was an obvious maternity risk.’

3.89 Clearly these attitudes, which either sexually objectify women or mark them as maternity risks, have the potential to have a significant, negative impact on the pay and prospects of women in the financial services sector. Indeed, some of the witnesses to the Inquiry commented that it was not ignorance of the law but the ‘very macho culture’ that resulted in gender pay discrimination.

4. Summary analysis

4.1 From the analysis of the data submitted, a number of key issues emerge. However, it should be noted that many companies appeared to find the requirement to provide the relevant, necessary data, and in particular appropriate, complete and accurate data, challenging. This in itself is cause for concern.

Earnings and the gender pay gap

4.2 A significant gender pay gap exists across the questionnaire organisations in relation to basic pay, performance-related pay and total earnings. The size of the gap is shocking. This gap is not only an historic legacy – analysis of salaries for new employees indicates that the gender pay gap continues to be reproduced. There are a small number of women who are paid very well in the highest job grades but this outcome is atypical for women in the sector.

4.3 For most women, the gender pay gap exists across all pay types – basic, performance-related and total earnings – though it is most pronounced in relation to performance-related pay.

- 4.4 The pay gap may reflect in part occupational segregation, and in particular the under-representation of women in certain job grades/categories, notably at a senior level. Whilst women often dominated the lowest grades, they were significantly under-represented in the highest grades, and were sometimes completely absent. However, in most cases there were significant gender pay gaps within grades. Even where occupational segregation does, on the face of it, 'explain' a gender pay gap, it does not necessarily rule out the possibility of the women doing work that is different but of equal value to the work men are doing. The concept of equal pay for work of equal value is intended to provide a route to equal pay where men and women are occupationally segregated, and this means that the occupational segregation itself must come under scrutiny.
- 4.5 There is evidence of downshifting by some senior women employees in response to the challenges of combining work and family life.
- 4.6 There are some regional variations in the profile of gender pay inequality. Inequalities are most pronounced in the City of London and least pronounced in Scotland. This variable inequality is less likely to be the outcome of geography than spatial disaggregation of company functions.

Pay systems and pay review

- 4.7 While pay systems are crucial in eliminating or creating and maintaining gender pay inequalities, few companies provided evidence of robust grading systems and analytical job evaluation was a minority practice among questionnaire companies.
- 4.8 Market rates for particular jobs played an important role in pay-setting arrangements but other non-market factors such as managerial discretion were also apparent and important. Joint pay determination arrangements with trade unions or staff associations were also a minority practice, and many companies either negotiated with individuals or set pay unilaterally. It is noteworthy that the presence of trade unions and/or staff associations was positively associated with the practice of job evaluation, and job evaluation was associated with a lower prevalence of gender pay inequality in basic pay and total annual earnings.
- 4.9 Outside of a small number of examples of good practice, the provision of published information to employees on pay scales was limited. While a majority of cases reported publishing information on performance criteria and targets, these were often available only to the relevant individual or work group.

The workplace reality of unequal pay and sex discrimination

- 4.10 Performance-related pay was common across the organisations and such payments were largely assessed and distributed at management discretion. A practice and culture of secrecy often surrounded performance-related payments. Concerns were raised regarding the differential experience of women and men in relation to performance-related criterion and reward, and two forms of gender bias were identified. These biases related to women's lack of assertiveness in negotiating higher rewards and discriminatory and derogatory attitudes amongst some management towards female employees.
- 4.11 These outcomes were compounded by the lack of transparency, even secrecy, surrounding actual pay determination, which was devolved, unregulated, to line and middle management discretion. There was little evidence provided that companies were being active in tackling the challenges of fairly grading, rewarding and incentivising employees across very different functional areas.
- 4.12 There was very little evidence that companies engaged in any monitoring of salaries and specifically performance-related payments by gender. Equal pay audits were uncommon, as were directed efforts to narrow the gender pay gap. Only a minority of companies publish pay scales, though most publish performance targets and criteria for earning performance payments, at least to the individuals concerned. In all cases, transparency diminishes in respect of full disclosure. Only a minority of companies undertake job evaluation or pay audits. The propensity of companies to operate pay transparency, and undertake job evaluation and pay audits increased, however, with the presence of employee representative organisations such as trade unions and staff associations.

Employment policies and practices

- 4.13 The other evidence provided to the Inquiry indicated a number of employment policy areas and practices that affected pay inequality. Recruitment and selection processes were susceptible to discriminatory practices and may be contributing to the sorting of women into segregated job grades/categories. While evidence on this discrimination was largely anecdotal, some respondents reported the differential and disadvantageous experience of women in training and career progression.

- 4.14 Long hours, anti-social hours and inflexible working arrangements were commonly highlighted as contributing to women's unequal pay and career progression.
- 4.15 While the vast majority of companies have flexible working policies, few collected systematic data on both applications for flexible working and their success rate. Further, options for flexible working appeared to vary across job roles and company functions.
- 4.16 Most companies had clearly specified maternity leave and pay policy, and examples of good practice were evident, but a divergence of policy and practice was identified by respondents, many of whom perceived a maternity penalty on earnings, career progression and susceptibility to redundancy.
- 4.17 While most companies had policies that could be aligned with wider equality objectives, there was a divergence between these policies and operational practice as exemplified by the company questionnaire data and the evidence submitted by individuals and interested parties.

Working and organisation culture

- 4.18 Underpinning many of the above practices – and lack of them in some cases – were workplace or organisational cultures that could be distinctly gendered and inhospitable to women, and variously marginalised, excluded and denigrated women.
- 4.19 This culture has been canvassed in a range of literature, is often commented on in the media, and was reported to the Inquiry by a wide range of witnesses. It is not the sort of evidence that can be typically generated through questionnaires to employers, perhaps especially when these are issued under legal powers even though the identity of respondent companies remains anonymous. What the more qualitative supplementary data also served to emphasise was the disjuncture between company policies related to pay and other employment issues and the actual workplace experience of many employees, especially women.
- 4.20 Some of the witnesses to the Commission's Inquiry noted that presenteeism was often used as a proxy for performance by managers, which means that only employees able to work very long hours obtain promotion and higher pay.



Appendices

Appendix 1:

Notice of the Inquiry

Notice of an inquiry under Section 16 of the Equality Act 2006

Take notice that the Equality and Human Rights Commission will be conducting an Inquiry into sex discrimination in the financial services sector in Great Britain, within the terms of reference stated below.

In accordance with Schedule 2 paragraph 2 of the Equality Act 2006, notice is hereby given that in fulfilment of the Commission's duties under sections 8 and 10 of the Equality Act 2006 and using powers granted to the Commission under section 16 of the said Act, the Commission intends to carry out an Inquiry into sex discrimination in the financial services sector in Great Britain.

Terms of reference

The terms of reference of the Inquiry are:

1. To inquire into the gender pay gap and pay trends across the financial services sector.
2. To inquire into the extent and nature of sex discrimination in relation to recruitment, terms and conditions, promotion, career paths, retention and workplace culture across the financial services sector.
3. To examine measures used by employers and other organisations to address sex discrimination and inequalities in pay and status, and to assess the effectiveness of such measures.
4. To assess and analyse the differential impact of job losses in the sector.
5. To consider any other matters as appear to the Commission to be relevant to the above.
6. To make such recommendations as are appropriate.

Financial Services Inquiry

Definitions

For the avoidance of doubt we have defined the financial services sector as all activities covered by Standard Industrial Classification 1992 Section J: financial intermediation (65), insurance and pensions (66), auxiliary activities (67).

Any person or organisation wishing to make representations as to the substance of the Inquiry should notify the Commission by email to: genderandfinance@equalityhumanrights.com or by telephone to the finance sector inquiry team on 020 3117 0460.

This Inquiry is conducted pursuant to the Equality Act Schedule 2, the effect of which is:

- To enable the Commission to serve a notice on any person or organisation requiring the production of information, documents or evidence in their possession (Sched 2 paras 9 and 10)
- To require the Commission to report on the Inquiry's findings (Sched 2 para 15), and
- To enable the Commission to address recommendations to any party (Sched 2 para 16).

T. Phillips

Chair

Equality and Human Rights Commission

31 March 2009

Appendix 2:

Inquiry methodology

This appendix sets out the methodology used by the Inquiry, including details of the data analysis conducted by the Scottish Centre for Employment Research on behalf of the Commission.

In addition to the research report commissioned at the outset,⁷⁷ the Commission collected four new sets of evidence specifically for the Inquiry, which are different from previous research in their focus on the organisational level and below. The design of research, the research instruments, and all data collection, were undertaken by the Commission. The first data set, and that which forms the core evidence on which this report is based, is drawn from the Commission's questionnaire issued to companies in or closely related to the financial services sector. Supplementary evidence is drawn from a call for evidence, seminars with legal advisers, trade unions and staff associations, and interviews with industry representatives, led by the Inquiry evidence panel.

Company questionnaires

Using its powers under paragraph 9 of schedule 2 of the Equality Act 2006, the Commission issued a questionnaire to companies within the financial services sector. The Commission employed a marketing company to generate a list of around 80 UK-based medium and large financial services companies (that is, with more than 250 employees) across the three main SIC codes. From this list a simple random sampling technique was used as an impartial way of reducing this list to 50 companies from SIC codes 65, 67 and 74: in basic terms, banking and building societies, holding companies of financial services and activities, auxiliary and financial services. Although returns from SIC 66 insurance and pensions, were not solicited given the recent merger and acquisition activity in financial services, some of the companies had significant divisions or sections involved in insurance.

The questionnaire results presented cannot be generalised to the finance sector as a whole since the sample was not selected to be representative of the sector. Instead, the data elicited by the questionnaire provides important case-study evidence about workforce profiles and pay setting mechanisms that will assist with the development of practical solutions to gender inequality both within the organisations concerned and across the sector generally.

⁷⁷ Metcalf and Rolfe, 2009.

Financial Services Inquiry

Under the powers of the act, the companies to whom the Commission questionnaire was issued were compelled to complete and return it to the Commission. Companies that have different divisions or sections of the workforce with different terms and conditions of employment were instructed to submit separate questionnaires for each division or section, referred to as 'cases' in this report. The Commission questionnaire was issued to companies on 9 April 2009 to be returned by 9 June 2009.

The questionnaire was wholly devised by the Commission and sought information about these companies' pay systems, grading structures or job classification systems, recruitment processes, and family-friendly policies; including maternity, paternity and parental leave, and flexible working

arrangements. The companies were also asked to provide accompanying policy documents about, for example flexible working, performance pay, starting salaries, pay progression, pay on promotion, market payments, pay protection, overtime, working time payments, benefits, as well as any other pay-related policy.

Of those companies targeted, all returned questionnaires. A number of mergers and acquisitions meant that four companies made returns as part of a parent company, and a further two were found to be small companies (less than 250 employees). Consequently 44 companies provided useable data. These companies made a total of 72 returns (see below), referred to as 'cases', which provide the base figures for tables 1–10 in Appendix 3.

Companies by number of questionnaires returned

Number of questionnaires returned	Number of companies	Total number of questionnaires
1	32	32
2	5	10
3	1	3
4	4	16
5	1	5
6	1	6
	44	72

The breakdown of these companies' locations (that is, registered headquarters) by the four areas is as follows:

- Twenty-four: London.
- Sixteen: England outside London.
- Three: Scotland.
- Zero: Wales.
- One: Other (outside the UK).

SIC codes were obtained from Companies House, then checked with companies and amended in some instances. The resulting breakdown of the 44 companies by SIC code is as follows:

- Twenty-two SIC 65 banking and building societies.
- Nine SIC 67 activities auxiliary to financial intermediation, including fund management.
- Twelve SIC 74 holding companies.
- One SIC 93 other services.⁷⁸

It should be noted that the recent turbulence in the financial services sector has resulted in a number of mergers and acquisitions that are not yet adequately captured by company SIC reclassification.

These questionnaires covered 293,369 employees, equivalent to 22.6 per cent of all employees in the sector in Britain.⁷⁹ Of this figure 134,030 employees were in SIC 65, 23,696 in SIC 67, 133,005 in SIC 74, and 2638 in SIC 93. Of the known geographical location of these employees, approximately 35 per cent were located in London, 57 per cent in England outside London, six per cent in Scotland and two per cent in Wales.

Similar to the finance sector generally,⁸⁰ 51 per cent of all employees covered by the questionnaires were women, but there were geographical differences in the relative spread of male and female employees. As might be expected, there were far fewer women working in London than men: 38 per cent versus 62 per cent; likewise there were proportionally more women than men working in the sector in Scotland and Wales: 59 per cent versus 41 per cent, and 55 per cent versus 45 per cent respectively for each country. The sex variation is similar in England outside London: 52 per cent female employees versus 48 per cent male employees.

It is important to note that there were a number of data limitations. First, while all companies returned questionnaires, some of the data requested was incomplete

⁷⁸ Checking revealed that one company was SIC 93. Other services were not elsewhere classified, though still germane to the Inquiry.

⁷⁹ The percentage of employees covered may be higher given that Metcalf and Rolfe's (2009) data is for late 2008 and may not account for subsequent redundancies in the sector. Industry classifications may also differ between the two sources.

⁸⁰ Metcalf and Rolfe, 2009.

Financial Services Inquiry

(particularly on pay), some of the data was inconsistent within a questionnaire, some of the calculations within questionnaires were inaccurate and some companies offered different interpretations of the data required to be returned. Some but not all of this data could be cleaned. Second, although companies were specifically asked to submit additional policy documentation with the questionnaires there was no consistency in the supply of this policy documentation; some companies submitted minimal documentation, others submitted extensive documentation. In addition, even where relevant documentation was submitted, in many instances it related to only part of the company.

There are also differences between the calculation of gender pay gap figures provided by companies and national gender pay gap estimates for the following reasons:

- The questionnaire asks for annual basic pay, total earnings and performance payments on a full-time equivalent basis. It does not specify the number of hours on which these should be calculated. This differs from the standard approaches when using national statistics, which either consider hourly earnings so as to remove the effects of differing hours of work or consider the unadjusted annual earnings etc of full-time employees only.
- Full-time and part-time pay are combined in the main tables, while at the macro-economic level the Commission usually analyses full-time and part-time pay separately.
- The data will not relate to the same time period as companies were asked for data from 'a convenient recent date ... within the last 12 months.' National surveys on pay specify dates for identifying relevant pay periods and collect annual data relating to the previous tax year.

As a result, gender pay gaps in tables 1–4 cannot be directly compared with the national and sectoral figures quoted.

Call for evidence

The public call for evidence was web-based. It was intended to gather experiences of and views about sex discrimination and the gender pay gap in financial services from a range of stakeholders. In addition, it sought to gather evidence of successful strategies to tackle sex discrimination and the gender pay gap.

The call was targeted at employees and ex-employees of the sector, employers and employer organisations within the sector, trade unions and staff associations in the sector, solicitors and legal advisors with experience of representation in the sector and, finally, recruitment agencies working in the sector.

The call was open from 9 April 2009 to 9 June 2009. It generated 17 responses. The breakdown of these responses by source type is as follows:

- Eight employees/ex-employees.
- Two employers.
- Four solicitors/legal advisors.
- Two trade unions.
- One recruitment agency.

Submissions were sometimes accompanied by attached documents provided by the respondents.

Evidence seminars

Two seminars were hosted by the Commission in London in June 2009; one with trade union and staff association representatives, the other with solicitors and legal advisers. Twenty-three representatives participated across the two seminars: 17 at the first and six at the second. The seminars were moderated by equal pay experts appointed by the Commission, with members of Scottish Centre for Employment Research (SCER) and the Commission in attendance.

The seminar schedules were devised by the Commission with input from SCER. The seminars focused on sex discrimination and equal pay issues in the financial services sector.

Interviews

Three interviews with industry representatives were conducted by the Commission in London during June 2009. The three representatives included a financial services employer representative, a senior manager working within financial services, and an independent social research consultant with knowledge of the financial services sector.

The purpose of the interviews was to gather information about good and bad practice with regard to pay and gender in the financial services. The interview schedules were devised by the Commission with input from SCER. The interviews were led by Mike Smith, chair of the Inquiry evidence panel, with members of the research team and the Commission in attendance. A member of SCER attended two of the three interviews.

Data analysis

All of the evidence from these four sets of data is anonymised. The data was coded using NVivo 8, a software package commonly used in qualitative research. It allows content analysis of interviews, documents and text for example. Using predetermined coding, data can be stored, classified, condensed, analysed and, if necessary, quantified. NVivo also provides flexibility in data presentation. The questionnaire data was coded using Microsoft Excel™ then analysed using SPSS 17, a statistical software package.

It should be noted that the methodology does not allow the Commission's questionnaire data to be triangulated against the supplementary data sets. Furthermore, while the supplementary data raises issues of significance, the data gives no indication of the reach of these issues within the sector.

Appendix 3:

Questionnaire response tables

The following tables summarise data from the 72 responses to the Commission's questionnaire. See Appendix 2 for further details.

Table 1: Annual basic pay (ABP)

Female ABP as a proportion of male ABP (%)	Significant female pay gap (%) ⁸¹	Cases	% of valid
Less than 55	45+	5.0	7.7
56–65	35–44	16.0	24.6
66–75	25–34	19.0	29.2
76–85	15–24	11.0	16.9
86–95	5–14	7.0	10.8
96–105	–	6.0	9.2
106–115	–	1.0	1.5
116+	–	0.0	0.0
Valid cases	–	65.0	–
Missing	–	7.0	–
Total		72.0	100.0

– not applicable

⁸¹ The figures in this column are the converse of the female proportion of that of males; that is, the size of the gap.

Table 2: Annual basic pay (ABP) for new starts by sex

Female ABP as a proportion of male ABP for new staff (%)	Significant female pay gap (%)	Cases	% of valid
Less than 55	45+	2.0	3.0
56–65	35–44	9.0	13.6
66–75	25–34	23.0	34.8
76–85	15–24	10.0	15.2
86–95	5–14	13.0	19.7
96–105	–	7.0	10.6
106–115	–	1.0	1.5
116+	–	1.0	1.5
Valid cases	–	66.0	–
Missing	–	6.0	–
Total		72.0	100.0

– not applicable

Table 3: Annual performance payments (APP) by sex

Female APP as a proportion of male APP (%)	Significant female pay gap (%)	Cases	% of valid
Less than 55	45+	40.0	63.5
56–65	35–44	4.0	6.3
66–75	25–34	3.0	4.8
76–85	15–24	7.0	11.1
86–95	5–14	5.0	7.9
96–105	–	1.0	1.6
106–115	–	2.0	3.2
116+	–	1.0	1.6
Valid cases	–	63.0	–
Missing	–	9.0	–
Total		72.0	100.0

– not applicable

Table 4: Annual total earnings (ATE) by sex

Female ATE as a proportion of male ATE (%)	Significant female pay gap (%)	Cases	% of valid
Less than 55	45+	19.0	29.7
56–65	35–44	15.0	23.4
66–75	25–34	9.0	14.1
76–85	15–24	10.0	15.6
86–95	5–14	7.0	10.9
96–105	–	3.0	4.7
106–115	–	1.0	1.6
116+	–	0.0	–
Valid cases	–	64.0	–
Missing	–	8.0	–
Total		72.0	100.0

– not applicable

Table 5: In-grade sex pay differences

Job grades/categories with a significant gender pay gap (%)	Cases	% of valid
0	3.0	4.8
1–25	4.0	6.3
26–50	16.0	25.4
51–75	25.0	39.7
76–99	6.0	9.5
100	9.0	14.3
Valid cases	63.0	–
Missing	9.0	–
Total	72.0	100.0

– not applicable

Table 6: Annual basic pay (ABP) gap by location

Women's ABP as a proportion of men's ABP (%)	London		England (excluding London)		Scotland		Wales	
	Cases	% of valid	Cases	% of valid	Cases	% of valid	Cases	% of valid
0-55	3.0	6.8	3.0	7.5	4.0	13.8	1.0	8.3
56-65	9.0	20.5	7.0	17.5	4.0	13.8	1.0	8.3
66-75	18.0	40.9	8.0	20.0	3.0	10.3	3.0	25.0
76-85	6.0	13.6	11.0	27.5	5.0	17.2	3.0	25.0
86-95	5.0	11.4	6.0	15.0	6.0	20.7	3.0	25.0
96-105	1.0	2.3	3.0	7.5	2.0	6.9	0.0	0.0
106-115	0.0	0.0	1.0	2.5	2.0	6.9	0.0	0.0
116+	2.0	4.5	1.0	2.5	3.0	10.3	1.0	8.3
Valid cases	44.0	-	40.0	-	29.0	-	12.0	-
Missing	28.0	-	32.0	-	43.0	-	60.0	-
Total	72.0	100.0	72.0	100.0	72.0	100.0	72.0	100.0

- not applicable

Table 7: Job evaluation by cases

Use of job evaluation	Cases	% of valid
Yes	22.0	33.3
No	44.0	66.6
Valid cases	66.0	–
Missing	6.0	–
Total	72.0	100.0

– not applicable

Table 8: Collective and individual pay determination

	Recognition of trade union or staff association for collective bargaining		Pay negotiations with individuals	
	Cases	% of valid	Cases	% of valid
Yes	17.0	24.3	30.0	42.3
No	53.0	75.7	41.0	57.8
Valid cases	70.0	–	71.0	–
Missing	2.0	–	1.0	–
Total	72.0	100.0	72.0	100.0

– not applicable

Table 9: Pay data transparency

Publish	Valid, yes (%)	Yes, full (%)
Pay scales	34.7	23.6
Performance targets	66.9	55.5
Criteria for performance-related payments	73.9	65.3
Other pay related benefits	88.4	84.7

Table 10: Impact of trade union/staff association presence on pay transparency

Form of transparency	Trade union/staff association present	
	Yes (%)	No (%)
Publish pay scales in full	70.0	9.4
Publish performance targets	94.1	50.9
Publish performance criteria	100.0	62.3
Publish information on other pay-related benefits	100.0	81.1

Appendix 4:

Commission legal powers

The Equality and Human Rights Commission Inquiry into sex discrimination and the gender pay gap in the financial services sector is an Inquiry under section 16 of the Equality Act 2006, set out below.

(16) Inquiries

- (1) The Commission may conduct an inquiry into a matter relating to any of the Commission's duties under sections 8, 9 and 10.
- (2) If in the course of an inquiry the Commission begins to suspect that a person may have committed an unlawful act —
 - (a) in continuing the inquiry the Commission shall, so far as possible, avoid further consideration of whether or not the person has committed an unlawful act,
 - (b) the Commission may commence an investigation into that question under section 20,
 - (c) the Commission may use information or evidence acquired in the course of the inquiry for the purpose of the investigation, and
 - (d) the Commission shall so far as possible ensure (whether by aborting or suspending the inquiry or otherwise) that any aspects of the inquiry which concern the person investigated, or may require his involvement, are not pursued while the investigation is in progress.
- (3) The report of an inquiry —
 - (a) may not state (whether expressly or by necessary implication) that a specified or identifiable person has committed an unlawful act, and
 - (b) shall not otherwise refer to the activities of a specified or identifiable person unless the Commission thinks that the reference —
 - (i) will not harm the person, or
 - (ii) is necessary in order for the report adequately to reflect the results of the inquiry.
- (4) Subsections (2) and (3) shall not prevent an inquiry from considering or reporting a matter relating to human rights (whether or not a necessary implication arises in relation to the equality enactments).

- (5) Before settling a report of an inquiry which records findings which in the Commission's opinion are of an adverse nature and relate (whether expressly or by necessary implication) to a specified or identifiable person the Commission shall –
- (a) send a draft of the report to the person,
 - (b) specify a period of at least 28 days during which he may make written representations about the draft, and
 - (c) consider any representations made.

The Inquiry relates to the Commission's duties under section 8 of the Equality Act 2006 which is set out below:

(8) Equality and diversity

- (1) The Commission shall, by exercising the powers conferred by this Part –
- (a) promote understanding of the importance of equality and diversity,
 - (b) encourage good practice in relation to equality and diversity,
 - (c) promote equality of opportunity,
 - (d) promote awareness and understanding of rights under the equality enactments,
 - (e) enforce the equality enactments,
 - (f) work towards the elimination of unlawful discrimination, and
 - (g) work towards the elimination of unlawful harassment.

Questionnaires to employers

The Commission used its powers under paragraph 9 of schedule 2 of the Equality Act 2006 to issue notices to companies within the financial services sector to require them to answer questionnaires about their pay systems, grading structures and other arrangements that affect women in the workforce. The relevant provisions are set out below and include other provisions regulating the conduct of a Commission inquiry:

Schedule 2 Sections 16, 20 and 31

Inquiries, investigations and assessments

Introduction

- (1) This Schedule applies to –
- (a) inquiries under section 16,
 - (b) investigations under section 20, and
 - (c) assessments under section 31.

Terms of reference

- (2) Before conducting an inquiry the Commission shall –
- (a) publish the terms of reference of the inquiry in a manner that the Commission thinks is likely to bring the inquiry to the attention of persons whom it concerns or who are likely to be interested in it, and
 - (b) in particular, give notice of the terms of reference to any persons specified in them.

Evidence

9

In the course of an inquiry, investigation or assessment the Commission may give a notice under this paragraph to any person.

10

- (1) A notice given to a person under paragraph 9 may require him —
 - (a) to provide information in his possession,
 - (b) to produce documents in his possession, or
 - (c) to give oral evidence.
- (2) A notice under paragraph 9 may include provision about —
 - (a) the form of information, documents or evidence;
 - (b) timing.
- (3) A notice under paragraph 9 —
 - (a) may not require a person to provide information that he is prohibited from disclosing by virtue of an enactment,
 - (b) may not require a person to do anything that he could not be compelled to do in proceedings before the High Court or the Court of Session, and
 - (c) may not require a person to attend at a place unless the Commission undertakes to pay the expenses of his journey.

11

The recipient of a notice under paragraph 9 may apply to a county court (in England and Wales) or to the sheriff (in Scotland) to have the notice cancelled on the grounds that the requirement imposed by the notice is —

- (a) unnecessary having regard to the purpose of the inquiry, investigation or assessment to which the notice relates, or
- (b) otherwise unreasonable.

12

- (1) Sub-paragraph (2) applies where the Commission thinks that a person —
 - (a) has failed without reasonable excuse to comply with a notice under paragraph 9, or
 - (b) is likely to fail without reasonable excuse to comply with a notice under paragraph 9.
- (2) The Commission may apply to a county court (in England and Wales) or to the sheriff (in Scotland) for an order requiring a person to take such steps as may be specified in the order to comply with the notice.

13

- (1) A person commits an offence if without reasonable excuse he —
 - (a) fails to comply with a notice under paragraph 9 or an order under paragraph 12(2),
 - (b) falsifies anything provided or produced in accordance with a notice under paragraph 9 or an order under paragraph 12(2), or
 - (c) makes a false statement in giving oral evidence in accordance with a notice under paragraph 9.

- (2) A person who is guilty of an offence under this paragraph shall be liable on summary conviction to a fine not exceeding level 5 on the standard scale.

14

- (1) Where a person is given a notice under paragraph 9 he shall disregard it, and notify the Commission that he is disregarding it, in so far as he thinks it would require him —
- (a) to disclose sensitive information within the meaning of paragraph 4 of Schedule 3 to the Intelligence Services Act 1994 (c. 13) (Intelligence and Security Committee),
 - (b) to disclose information which might lead to the identification of an employee or agent of an intelligence service (other than one whose identity is already known to the Commission),
 - (c) to disclose information which might provide details of processes used in recruiting, selecting or training employees or agents of an intelligence service,
 - (d) to disclose information which might provide details of, or cannot practicably be separated from, information falling within any of paragraphs (a) to (c), or
 - (e) to make a disclosure of information relating to an intelligence service which would prejudice the interests of national security.
- (2) In sub-paragraph (1) ‘intelligence service’ means —
- (a) the Security Service,
 - (b) the Secret Intelligence Service, and
 - (c) the Government Communications Headquarters.

- (3) Where in response to a notice under paragraph 9 a person gives a notice to the Commission under sub-paragraph (1) above —
- (a) paragraphs 12 and 13 shall not apply in relation to that part of the notice under paragraph 9 to which the notice under sub-paragraph (1) above relates,
 - (b) the Commission may apply to the tribunal established by section 65 of the Regulation of Investigatory Powers Act 2000 (c. 23) for an order requiring the person to take such steps as may be specified in the order to comply with the notice,
 - (c) the following provisions of that Act shall apply in relation to proceedings under this paragraph as they apply in relation to proceedings under that Act (with any necessary modifications) —
 - (i) section 67(7), (8) and (10) to (12) (determination),
 - (ii) section 68 (procedure), and
 - (iii) section 69 (rules), and
 - (iv) the tribunal shall determine proceedings under this paragraph by considering the opinion of the person who gave the notice under sub-paragraph (1) above in accordance with the principles that would be applied by a court on an application for judicial review of the giving of the notice.
- (4) Where the Commission receives information or documents from or relating to an intelligence service in response to a notice under paragraph 9, the Commission shall store and use the information or documents in accordance with any arrangements specified by the Secretary of State.

Financial Services Inquiry

- (5) The recipient of a notice under paragraph 9 may apply to the High Court (in England and Wales) or the Court of Session (in Scotland) to have the notice cancelled on the grounds that the requirement imposed by the notice is undesirable for reasons of national security, other than for the reason that it would require a disclosure of a kind to which sub-paragraph (1) above applies.

Reports

15

The Commission shall publish a report of its findings on an inquiry, investigation or assessment.

Recommendations

16

- (1) The Commission may make recommendations —
- (a) as part of a report of an inquiry, investigation or assessment under paragraph 15, or
 - (b) in respect of a matter arising in the course of an inquiry, investigation or assessment.
- (2) A recommendation may be addressed to any class of person.

Effect of report

17

- (1) A court or tribunal —
- (a) may have regard to a finding of the report of an inquiry, investigation or assessment, but
 - (b) shall not treat it as conclusive.

18

A person to whom a recommendation in the report of an inquiry, investigation or assessment is addressed shall have regard to it.

Courts and tribunals

19

An inquiry, investigation or assessment may not question (whether expressly or by necessary implication) the findings of a court or tribunal.

Intelligence services

20

- (1) An inquiry may not consider —
- (a) whether an intelligence service has acted (or is acting) in a way which is incompatible with a person's human rights, or
 - (b) other matters concerning human rights in relation to an intelligence service.
- (2) In this paragraph 'intelligence service' has the same meaning as in paragraph 14.

Appendix 5: Executive summary from the Metcalf and Rolfe report ‘Employment and earnings in the finance sector: A gender analysis’

Introduction

This study provides background information on the finance sector to assist the Equality and Human Rights Commission’s Inquiry into sex discrimination in the industry.

The study was based on analysis of representative national datasets, together with a short literature review of the finance industry in the UK.

Key findings

The finance sector

The finance sector provides 1.3 million jobs (LFS, 2008: Q3) and employs four per cent of the British workforce. Employment is dominated by banks (43 per cent) and other insurance activities (21 per cent).

Employment patterns by gender

- There has been a slight relative decline in female employment over the last five years, against a backdrop of a slight increase in overall finance sector employment; the reasons for this are unclear.
- A similar number of men and women are employed in finance and across most sub-sectors.
- Finance employs a relatively high percentage of people in the 25 to 39 age range and fewer at older ages.

- Women are substantially under-represented in the finance workforce in central and inner London; this is likely to reflect lower employment in head offices.
- Women are also concentrated in smaller establishments.
- Occupational concentration by gender is greater in finance than in the economy as a whole:
- Women are highly concentrated in administrative and secretarial jobs.
- Women are substantially under-represented in managerial jobs, including at the most senior level.
- Working hours for both women and men are longer in finance than the economy as a whole:
 - Standard hours are relatively high.
 - Part-time working is less common.
 - The incidence of other family-friendly flexible working time practices is similar to that in the economy as a whole.
 - Men are more likely to work overtime than women, particularly unpaid overtime.
- Men in finance tend to have higher qualifications than women: almost twice as many have a degree (39 per cent compared with 20 per cent).
- Overtime, particularly unpaid, may contribute towards career and pay progression (whether through additional development or through presenteeism signalling commitment), and its concentration on men may be a cause for concern.

Earnings and gender

Average annual gross earnings in the finance sector are about double the national average.

For full-time employees, gender pay gaps in gross annual, weekly and hourly pay in the finance sector range from 39 per cent to 55 per cent, around double those in the economy as a whole.

The three sub-sectors⁸² show substantial differences:

- **67: Auxiliary activities and 65: Financial intermediation** – for these sub-sectors, the full-time gender pay gap appears to stem largely from gender pay differentials in basic rates and annual payments (including annual incentive pay).
- **66: Insurance and pensions** – for this sub-sector the full-time gender pay gap appears to be mainly connected to basic pay alone.

The part-time gender pay gap for annual and weekly pay is similar to that in the economy as a whole (around 80–90 per cent). The hourly part-time gender pay gap is smaller (53 per cent), but this is much higher than the national average.

The part-time gender pay gap is somewhat smaller in 66: Insurance and pensions.

Both full-time and part-time gender pay gaps tend to rise across the pay distribution.

⁸² Metcalf and Rolfe, 2009, Chapter 2.

Recruitment

Annual recruitment rates in finance, at 14 per cent, are similar to those in the economy as a whole. Approximately half of recruits are female.

Recruitment in finance is disproportionately high in lower-skilled jobs, suggesting that, without other changes, relying on gender changes in recruitment would be particularly slow at improving female representation in higher-level occupations.

Progression

We were unable to measure progression adequately within the scope of this study. However, analysis of supervisory and management roles showed that women with supervisory responsibilities are more likely to be promoted to supervisory posts, whereas men with supervisory responsibilities are more likely to be promoted to managerial posts.

Initiatives to promote gender equality

The finance sector was relatively early in introducing policies and practices to address gender equality and there are many good gender equality initiatives in the sector. However, it is not known how comprehensive or effective these initiatives are.

Trade unions have run a number of campaigns on gender equality issues since the 1980s.

Gaps in evidence

A number of major gaps in evidence were identified on:

- causes of the greater gender pay gap in finance and its increase across the pay distribution
- causes of the higher degree of occupational concentration in finance and, particularly, the lack of women in managerial employment
- the roles of recruitment, retention and progression on affecting gender
- differences in occupational levels and pay
- the role of individual attitudes and employer treatment on affecting recruitment, retention and progression
- the role of the longer hours culture on gender difference
- the processes by which pay systems may affect the gender pay gap in finance for example, the role of performance pay, bonuses and incentive schemes.

Multivariate analysis of pay and occupation in the finance sector would be very useful. Multivariate analysis should be able to identify relative roles of gender and other factors (for example, qualifications) more robustly.

Further research

There were a number of factors which pointed to possible gender equality problems in the finance sector, which deserve further investigation.

Occupational concentration

The high concentration of women in administrative and secretarial roles, and low representation in management, including senior management, stood out. There was also, albeit limited, evidence that men may be more likely to progress than women (the younger age of men than women in administrative and secretarial and in sales and customer service occupations and that women are more likely to be promoted to supervisory posts and men to managerial posts).

These patterns might be explained by the gender roles followed in society generally, with men not entering administrative and secretarial jobs, rather than women not entering managerial and other jobs. Moreover, women were less qualified than men.

Therefore the lack of women in management (and the lower qualifications of women in finance) may not indicate inequality in the finance sector, but be an inevitable consequence of the high proportion of administrative jobs in the sector.

Nevertheless, both recruitment and promotion needs investigation.

Working hours

Working hours in the sector may contribute to concentration in lower-level jobs and mitigate against promotion.

Standard hours are relatively long and part-time working less common, whilst the incidence of other family-friendly flexible working time practices is similar to that in the economy as a whole. Men tend to work longer hours than women and are more likely to work overtime than women, particularly unpaid overtime. Overtime, particularly unpaid, may contribute towards career and pay progression (whether through additional development or through presenteeism signalling commitment).

These factors are likely to result in greater barriers to employment and advancement for women with caring responsibilities.

The extent to which working hours affects concentration, progression and earnings might usefully be further investigated.

Pay

Gender pay gaps are much higher in finance than in the economy as a whole, particularly, but not solely, for full-timers. Both basic pay and additional annual elements contribute to this. Moreover, gender pay gaps rise across the pay distribution.

Undoubtedly, occupational concentration and men's higher qualifications will contribute to the gender pay gap. However, it is not clear whether this is the only cause and the increase in the gender pay gap across the pay distribution relative to the economy as a whole suggests that there may be other causes, perhaps related to the payment system, including differential bonus and incentive structures.

It is important to examine the causes of the gender pay gap across the distribution, particularly at the higher end. For the part-time gender pay gap there may be issues about lesser access for part-timers to better-paid occupations in finance (and particularly in 65: Financial intermediation).

Location

Women are substantially under-represented in the finance workforce in central and inner London. They are also concentrated in smaller establishments. This is likely to reflect lower employment in head offices and single-site organisations based in the City.

It would be useful to know whether this contributed to women's lower occupational achievement or was caused by their lower occupational achievement.

Sub-sectoral differences

On a number of factors gender disparities appeared to be smaller in 66.0: Insurance and pensions and 67.2: Auxiliary activities (insurance and pensions).

Appendix 6: Questionnaire and guidance notes

Equality and Human Rights Commission questionnaire

Please read the accompanying guidance notes before completing this questionnaire. If you have any queries please contact the EHRC's finance sector inquiry on 020 3117 0460 or email genderandfinance@equalityhumanrights.com

For more information: <http://www.equalityhumanrights.com/financeinquiry>

Completed questionnaires should be returned to: genderandfinance@equalityhumanrights.com by 9 June 2009

Or via post to: Freepost, RRXX-CCJG-KJTU, Gender and Finance, Equality and Human Rights Commission, 3 More London Riverside, Tooley Street, London SE1 2RG

Section 1:

Company details

Company name	
Company address	
Respondent name and contact details	

1. Does your company have different divisions or sections of the workforce with different terms and conditions for staff employed in them? Yes No

If yes, please describe which divisions, sections or job types have different terms and conditions	
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Please note – if you have answered Yes to Question 1, we will require separate questionnaires filled in for each division or section. Please see guidance notes document for further explanation.

2. Please provide a gender breakdown of the number of people (below board level) employed by your company across Great Britain at a convenient recent date (e.g. 31 March, 1 April, 15 April 2009 – referred to as current employees in subsequent questions) within the last 12 months. Please indicate the date selected.

Date selected:

	London	England outside London	Scotland	Wales	Total
Male					
Female					

3. Does your company have a trade union or staff association recognised for collective bargaining purposes?

Yes No

If yes for some grades only, please describe which grades or job types	
Please tell us the name of the union or the association.	

4. Does your company negotiate pay with individual members of staff?

Yes No

If yes, for some grades only, please describe which grades or job types	
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5. Do you publish for your employees any of the following?

Pay scales/ranges	<input type="checkbox"/>
Performance targets	<input type="checkbox"/>
Criteria for earning performance payments	<input type="checkbox"/>
Other pay related benefits e.g. annual leave, private health care	<input type="checkbox"/>

6. Please supply a copy of your pay policies – see guidance notes for further details.

7. Which of these methods of recruitment does your company use? You may tick more than one:

Direct recruitment	<input type="checkbox"/>
Recruitment through an agency	<input type="checkbox"/>
Introductions from existing employees	<input type="checkbox"/>

8. Please supply a copy of your flexible working policy. If you do not have such a policy, please describe your arrangements for flexible working.

9. Please provide a breakdown by grade and gender of requests to work flexibly received in 2006, 2007 and 2008, and show the percentage of such requests that were agreed to.

10. Please provide a breakdown by grade of (a) women returning to work after a period of maternity leave (b) men taking paternity leave (c) women and men taking parental leave for the years 2006, 2007 and 2008.

11. Has your company ever completed an equal pay audit or equal pay review? By an equal pay review we mean comparing the pay of men and women doing equal work, identifying any equal pay gaps and eliminating those pay gaps that cannot satisfactorily be explained on grounds other than gender?

Yes No

If yes, please supply a copy of the review or report.

12. Please describe the steps your company has taken in the past three years to narrow the gender pay gap.

13. Does your company monitor starting salaries by gender?

Yes No

If yes, how often?

Please supply a copy the latest review.

14. Does your company monitor performance payments by gender?

Yes No

If yes, how often?

Please supply a copy the latest review.

15. Is your pay structure based on job evaluation? Yes No

If yes, which job evaluation scheme do you use?	
If no, what is the basis for your pay structure?	
If job evaluation is used for some grades only, please describe which grades or job types are outside the job evaluation scheme	

Please complete the following table:

Grade	JE Points		Salary Range (£)	
	Min	Max	Min	Max

Note: Extend table by adding in more lines if your organisations has more than 10 grades.

Section 2

1. Please complete the following table of current employees by gender and grade with total and average full time equivalent **annual basic pay**:

Grade	Number		Total FTE Basic Pay (£)		Average FTE Basic Pay (£)		F as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Pay of employees working less than full-time hours will need to be grossed up to full time equivalent.
 (2) Extend table by adding in more lines if your organisations has more than 10 grades.

2. Please complete the following table of current employees by gender and grade with total and average full time equivalent (FTE) **annual total earnings** (including e.g. overtime pay, bonus payments):

Grade	Number		Total FTE Annual Total Earnings (£)		Average FTE Annual Total Earnings (£)		F as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Earnings of employees working less than full-time hours will need to be grossed up to FTE (see guidance).
 (2) Extend table by adding in more lines if your organisations has more than 10 grades.

3. Please complete the following table of current employees **with start dates on or after 1 April 2007 only** by gender and grade with total and average full time equivalent **basic pay**:

Grade	Number		Total FTE Basic Pay (£)		Average FTE Basic Pay (£)		F as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Pay of employees working less than full-time hours will need to be grossed up to full time equivalent.
 (2) Extend table by adding in more lines if your organisations has more than 10 grades.

4. Please complete the following table of **all current full time employees** by gender and grade with total and average **full time equivalent** annual basic pay:

Grade	Number of Full Time Employees		Total FTE Basic Pay of Full Time Employees (£)		Average FTE Basic Pay of Full Time Employees		F (average FTE basic pay) as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Extend table by adding in more lines if your organisations has more than 10 grades.
 (2) All employees contracted to work fewer than normal hours should be treated as part-time.

5. Please complete the following table of current **part time employees** by gender and grade with total and average **full time equivalent** annual basic pay:

Grade	Number of Part Time Employees		Total FTE Basic Pay of Part Time Employees		Average FTE Basic Pay of Part Time Employees		F (average FTE basic pay) as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Pay of employees working less than full-time hours will need to be grossed up to full time equivalent.

(2) Extend table by adding in more lines if your organisations has more than 10 grades.

(3) All employees contracted to working fewer than normal hours should be treated as part-time.

6. Please complete the table below of current employees by gender, grade and location with total and average full time equivalent **annual basic pay**:

Grade	London				England Outside London				
	Total Basic Pay (£)		Average Basic Pay (£)		Total Basic Pay (£)		Average Basic Pay (£)		F As % of M
	F	M	F	M	F	M	F	M	
Total									

Note: (1) Pay of employees working less than full-time hours will need to be grossed up to full time equivalent.

(2) Extend table by adding in more lines if your organisations has more than 10 grades.

7. Please complete the table below of current employees by gender, grade and location with total and average full time equivalent **annual basic pay**:

Grade	Scotland			Wales			F As % of M
	Total Basic Pay (£)		Average Basic Pay (£)	Total Basic Pay (£)		Average Basic Pay (£)	
	F	M		F	M		
			F	M		F	M
Total							

Note: (1) Pay of employees working less than full-time hours will need to be grossed up to full time equivalent.
 (2) Extend table by adding in more lines if your organisations has more than 10 grades.

8. Please complete the following table of current employees by gender, grade and **average length of service**:

Grade	Number		Average Length of Service	
	F	M	F	M

9. Does your company make any form of performance related payment (including bonus payments)? If so, please complete the following table of average annual full time equivalent **performance payments** by grade and gender for the most recent year for which the data is available:

Grade	Number		Total Performance Pay (£)		Average FTE Performance Pay (£)		F as % of M
	F	M	F	M	F	M	
Total							

Note: (1) Performance pay of employees working less than full-time hours will need to be grossed up to full time equivalent.
 (2) Extend table by adding in more lines if your organisations has more than 10 grades

Section 3:

Declaration

This declaration must be completed in all cases.

1. I am authorised by the organisation to complete this questionnaire.
2. I have taken reasonable steps to make certain that the information provided in this questionnaire is correct and complete.

Your name	
Date	
Status	
Contact details	
Telephone & email	

Questionnaire check list

To help us process your data, please check that you have enclosed the following:

Policies	
Flexible working	<input type="checkbox"/>
Performance pay	<input type="checkbox"/>
Starting salaries	<input type="checkbox"/>
Pay progression	<input type="checkbox"/>
Pay on promotion	<input type="checkbox"/>
Market payments	<input type="checkbox"/>
Pay protection	<input type="checkbox"/>
Overtime	<input type="checkbox"/>
Working time payments	<input type="checkbox"/>
Benefits	<input type="checkbox"/>
Other pay policies	<input type="checkbox"/>

Financial Services Inquiry

Reports/reviews	
Equal Pay Review/Report	<input type="checkbox"/>
Review of starting salaries	<input type="checkbox"/>
Review of performance pay	<input type="checkbox"/>

Other enclosures (please list)

Please return your completed questionnaire to:

genderandfinance@equalityhumanrights.com

by 9 June 2009. If you have any queries after reading the guidance notes, please email the same address or telephone 020 3117 0460

Guidance notes for the Equality and Human Rights Commission's questionnaire

Part 1 – General Guidance on Disclosure

Disclosure of information

As a general rule the Commission is not permitted to disclose information provided to us by individuals and organisations as part of an Inquiry. However, there are certain limited circumstances in which we can disclose information acquired in the course of an Inquiry. These are set out in section 6(3) of the Equality Act 2006 which authorises disclosure made –

- (a) for the purpose of the exercise of a function of the Commission under any of sections 16, 20, 21, 24, 25, 31 and 32,
- (b) in a report of an Inquiry, Investigation or Assessment published by the Commission,
- (c) in pursuance of an order of a court or tribunal,
- (d) with the consent of each person to whom the disclosed information relates,
- (e) in a manner that ensures that no person to whom the disclosed information relates can be identified,
- (f) for the purpose of civil or criminal proceedings to which the Commission is party, or
- (g) if the information was acquired by the Commission more than 70 years before the date of the disclosure.

Written report of the Inquiry

This is not an inquiry into individual organisations. It aims to consider the range of recruitment and employment practices on a sector-wide basis and to make findings and recommendations applicable across the sector.

Therefore, the written report of the Inquiry will not state or imply that a particular organisation or person has committed an unlawful act, or include any information that could lead to an organisation or person being identified as having done so (section 16 (3) of the Equality Act).

In the event that the Commission feels it appropriate to record within the report any evidence or findings of an adverse nature about the activities of a specified or identifiable person or organisation, that person or organisation has the right to advance notification and will have the opportunity to make written representations on the draft report prior to publication (section 16 of the Equality Act).

Non-compliance

Completed questionnaires should be returned by 9 June 2009 to: genderandfinance@equalityhumanrights.com

Under schedule 2, paragraphs 13 (a) and (b), a person commits an offence if without reasonable excuse he or she fails to comply with this notice or provides false information. If you have any problems, or questions relating to completing the questionnaire or providing the required information, please contact us at:
Email: genderandfinance@equalityhumanrights.com

Telephone: +44 - 20 - 3117 - 0460

Further information about this Inquiry can be found at: www.equalityhumanrights.com/financeinquiry

Part 2 – Specific Guidance on Completing the Questionnaire and Data Protection

Who should be included in the pay data?

The pay data should include all employees (below board level) on your payroll as at a convenient recent date e.g. 31 March, 1 April, 15 April 2009. This recent date should be within the last twelve months.

What if the company operates separate divisions for different functions such as, for example, investment banking?

If your company operates separate divisions for different functions such as, for example, investment banking and these divisions operate separate grading schemes and different terms and conditions to the main part of your company, a separate questionnaire should be completed in respect of each division.

Identifying the data required for the questionnaire

You need to collect two broad types of information for each employee to be included in the data:

1. Payroll information, and
2. HR information, for example, job and personal characteristics

The pay information needed for the questionnaire includes:

- Basic pay
- Total earnings (see below for what should be included in total earnings)

The job and personal characteristics data needed includes:

- Gender
- Hours of work
- Job grade, band or pay scale
- Length of service Location

What is meant by total earnings?

Total earnings include all payments i.e. basic pay, overtime, bonuses, performance payments, working pattern payments such as shift and on call allowances and other similar payments.

Other allowances, such as car or telephone allowances, should be excluded from the calculations.

What is meant by performance payments?

Performance pay includes any payments that link the pay of an employee to some measure of individual, group or organisational level performance. They include, for example:

- Performance related pay
- Merit pay
- Contractual or discretionary bonus payments

Time period for the pay data

You should include in the pay data the annual pay of all employees on your payroll at a convenient recent date e.g. 31 March, 1 April, 15 April 2009. The same date should be used throughout the questionnaire and should be a date within the last twelve months.

Data in respect of performance payments data should be for the last available year.

Assembling the data

A modern combined payroll and personnel system will usually include all the information necessary for the questionnaire.

If this particular data has not been brought together before, it can usually be downloaded or assembled from different sources in spreadsheet form. The calculations can be undertaken from the spreadsheet.

Initial adjustments to the data

Before you begin your calculations it is necessary to bring all the data to common units of hours and pay. So, if one group works different normal hours, then it is necessary to convert basic pay to a common hour's base. For example, if one group of staff normally works 37 hours a week and another 39 hours a week, you will need to adjust the data in one of the following ways:

- If 37 is chosen as the common hours base: multiply basic pay by $37/39$ for employees on 39 hour contracts
- If 39 is chosen as the common hours base: gross up the basic pay of those on 37 hour contracts to a 39 hour equivalent by multiplying by $39/37$

It is also necessary to bring full-time and part-time employees to a common salary basis. This will entail grossing up the basic pay of part-timers to their full-time equivalents, excluding overtime and other payments.

What is meant by a 'part-time' employee?

A part-time employee is any employee working less than normal full-time hours.

Financial Services Inquiry

Pay policies

You are asked to supply details of your pay policies. This should include, amongst other policies, your policies relating to performance pay, starting salaries, pay progression, pay on promotion, market payments, pay protection, overtime, working time payments and benefits.

Data protection

The processing and disclosure of personal information is protected by the Data Protection Act 1998. Personal data includes any data which is held on computerised and non-automated systems from which individuals can be identified.

The data you provide in the questionnaire will not enable identification of individuals save perhaps in the case of senior management, where there may be only one or two individuals in certain positions or grades. In these specific circumstances their pay may be described in relative as opposed to absolute terms. For example, in a small senior management team comprising one woman and three men, it is possible to describe the pay of the female member of the team as being 'more than', 'less than', or 'equivalent to' her male counterparts in order to ensure that data protection principles are observed.

In the unlikely event that the information we are asking for does identify an individual, s35 of the Data Protection Act (which allows personal data to be processed without an employee's consent where it is necessary to comply with a non-contractual legal obligation to which the employer is subject) can be relied upon here because it is an offence under paragraph 13(1) of Schedule 2 of the Equality Act 2006 for companies not to comply with a request for information unless the paragraph 9 notice has been cancelled by a court (pursuant to paragraph 11 of Schedule 2 of the Equality Act 2006 on the basis that the information is unnecessary having regard to the purpose of the Inquiry or otherwise unreasonable). Thus companies would not be in breach of their duties under the Data Protection Act by disclosing the data to the Commission. You may wish to seek independent legal advice about this if it causes concern.

Appendix 7:

Summary of equal pay law

The Equal Pay Act 1970

The Equal Pay Act 1970, as amended, entitles a woman doing **equal work** with a man in the **same employment** to equality in **pay** and terms and conditions. The Act does so by giving her the right to equality in the terms of her contract of employment. The man with whom she is claiming equal pay is known as her **comparator**.

Comparators

It is for the woman to select the man or men with whom she wishes to be compared. She can claim equal pay with more than one comparator (for example, a woman working as a cook could claim equal pay with a male cook and with a male gardener). Her employer has no say in her choice of comparator(s), nor does the comparator have to give his consent to being named in her equal pay claim.

There are a number of ways in which a woman may be able to select a comparator. These include:

- using her own knowledge and experience of the work done by her male colleagues
- using information gained by going through her employer's internal **grievance procedure**
- using information gained through serving an **Equal Pay Questionnaire** on her employer, and

- applying to the employment tribunal for the discovery of documents. Once a woman has filed her claim with the Tribunal and has shown that her contractual terms are less favourable than those of male colleagues, she can apply for discovery to enable her to name the appropriate comparators.

The comparator can be:

- someone with whom she is working at the present time, subject to the usual **time limits**, and
- her predecessor, however long ago he did the job, or her successor.

The woman can compare any term in her contract with the equivalent term in her comparator's contract. This means that each element of the pay package has to be considered separately and it is not sufficient to compare total pay. For example, a woman can claim equal pay with a male comparator who earns a higher rate of basic pay than she does, even though other elements of her pay package are more favourable than his.

If the woman's equal pay claim is successful, the result will be that her pay is raised to the same level as that of her comparator. There will not be any reduction in his pay and benefits.

Employers

The Equal Pay Act applies to all employers irrespective of their size and whether they operate in the public or the private sectors.

Employees

The Equal Pay Act applies to:

- all employees, (including apprentices and those working from home) whether on full-time, part-time, casual or temporary contracts, regardless of length of service
- other workers (for example, self employed) whose contracts require personal performance of the work
- employment carried out for a British employer unless the employee works wholly outside Great Britain⁸³, and
- employment carried out on British registered ships or UK registered aircraft operated by someone based in Great Britain unless the employee works wholly outside Great Britain.

Same employment

A woman can claim equal pay with a man working:

- For the same employer at the same workplace.
- For the same employer but at a different workplace where common terms and conditions apply, for example at another branch of a store.
- For an associated employer; for example, at her employer's parent company.
- European law also allows a comparison to be made between employees who do not work for the same employer, but who are 'in the same establishment or service'. As there is no clear definition of 'in the same establishment or service' this is an area of law on which specific legal advice should be sought. However, European law as it currently stands suggests a comparison can only be made where the differences in pay are attributable to a 'common source' and there is a single body, responsible for and capable of remedying the pay inequality, for example where pay differences arise from a sector-wide collective agreement or from legislation.

⁸³ Great Britain includes such of the territorial waters of the UK as are adjacent to Great Britain and certain areas designated in relation to employment in the offshore oil and gas industry.

Pay

The Equal Pay Act covers all aspects of the pay and benefits package, including:

- basic pay
- non-discretionary bonuses
- overtime rates and allowances
- performance related benefits
- severance and redundancy pay
- access to pension schemes
- benefits under pension schemes
- hours of work
- company cars
- sick pay, and
- fringe benefits such as travel allowances.

Transparency

The European Court of Justice has held that pay systems must be transparent. Transparency means that pay and benefit systems should be capable of being understood by everyone (employers, employees and their trade unions). Employees should be able to understand how each element of their pay packet contributes to total earnings in a pay period. Where the pay structure is not transparent, and a woman is able to show some indication of sex discrimination, the **burden of proof** switches to the employer who then has to demonstrate that the pay system does not discriminate. It is advisable for an employer to keep records that will allow him or her to explain why he or she did something, showing clearly what factors he or she relied on at the time that the decision on pay was made.

Equal pay for equal work

The comparator may be doing the **same** job as the woman, or he may be doing a **different** job. She can claim equal pay for equal work with a comparator doing work that is:

- the **same**, or broadly similar (known as **like work**)
- **different**, but which is rated under the same **job evaluation** scheme as equivalent to hers (known as **work rated as equivalent**), and
- **different**, but of equal value in terms of demands such as effort, skill and decision-making (known as work of **equal value**).

Job evaluation as a means of comparing job demands

While the equal pay legislation does not compel an employer to use job evaluation, the concept of equal pay for work of equal value, whereby a woman can claim equal pay with a man doing a completely different job, means that in order properly to assess the demands of the jobs being compared an employer will have to apply techniques akin to those used in job evaluation. The legislation recognises the potential effectiveness of job evaluation as a means of assessing equal value by permitting an employer to defend a claim for equal pay for work of equal value if a non-discriminatory analytical job evaluation scheme has rated the woman's job as lower in value than her male comparator's job (the job evaluation defence). An analytical job evaluation scheme evaluates jobs according to the demands made on the jobholders.

Where employers use analytical job evaluation schemes they need to check that the scheme has been designed and implemented in such a way that it does not discriminate on grounds of sex. An analytical evaluation discriminates on the grounds of sex where values have been attributed to the different demands against which it has measured the jobs, and these values cannot be justified irrespective of the sex of the person on whom these demands are made.

A job evaluation scheme will also be discriminatory if it fails to include, or properly take into account, a factor, or job demand, that is an important element in the woman's job (for example, caring demands in a job involving looking after elderly people), or if it gives an unjustifiably heavy weighting to factors that are more typical of the man's job (for example, the physical demands of being employed as a gardener).

A woman may also challenge a job evaluation scheme on the basis that instead of a factor, say, 'mental concentration' (in her job) being awarded fewer points than 'physical effort' (in her comparator's job), it should have received the same or more points. Similarly, she may argue that 'physical effort' (in his job) has been overrated compared with the skill her job requires for 'manual dexterity'. Even where she has received the same or more points than a man for a particular factor, she may still argue that the demands of her job under this factor have been underrated; that is, that the difference in points under the factor should have been bigger.

Employers also need to check the outcomes of the job evaluation for sex bias, and if the scheme is to remain free of sex bias it should be monitored.

The process for claiming equal pay

Claims for equal pay are taken through the employment tribunal. In **like work** and **work-rated as equivalent** claims the procedure is the same as in any other employment case. There are special tribunal procedures for **equal value** claims.⁸⁴

The grievance procedure

Before making a complaint to the employment tribunal, a woman is required to try to resolve the issue of equal pay through the employer's own grievance procedure. However, the time limit for making a complaint to the employment tribunal will still apply and will not be extended to take account of the time taken to complete the grievance procedure. Although there is no legal requirement to do so it is good practice for the employer, the employee, and/or her union representative, to keep records of any meetings. Employers and employees can seek advice from an Acas conciliator. Acas can be contacted at www.acas.org.uk. For armed services personnel, there is a requirement to first make a complaint to an officer under the relevant service redress procedures and submit a complaint to the Defence Council under those procedures before presenting a claim to the employment tribunal.⁸⁵

⁸⁴ These are to be found in the Employment Tribunals (Constitution and Rules of Procedure) Regulations 2001 (SI 2001/1171) and the Employment Tribunals (Constitution and Rules of Procedure) (Scotland) Regulations 2001 (SI 2001/1170) and S 2A of the Equal Pay Act itself.

⁸⁵ S7A (5) of the Equal Pay Act read with the Service Redress Procedures.

The equal pay questionnaire

A woman is entitled to write to her employer asking for information that will help her establish whether she is getting equal pay and if not, what the reasons for the pay difference are. Copies of the standard questionnaire form can be obtained from the Government Equalities Office: http://www.equalities.gov.uk/pay/update_question.htm

The questionnaire focuses on establishing whether the woman is receiving less favourable pay and contractual terms and conditions than a colleague or colleagues of the opposite sex, and whether the employer agrees that she and her comparator are doing 'equal work'. The woman can send the questionnaire to her employer either before she files her claim with the employment tribunal or within 21 days of doing so.

If the woman subsequently takes a case to the employment tribunal the information provided by her employer in response to the questionnaire should enable her to present her claim in the most effective way and the proceedings should be simpler because the key facts will have been identified in advance. If her employer fails, without reasonable excuse, to reply within 8 weeks, or responds with an evasive or equivocal reply, the employment tribunal may take this into account at the hearing. The employment tribunal may then draw an inference unfavourable to the employer, for example, that the employer has no genuine reason for the difference in pay.

Confidentiality

The principle of transparency does not mean that an individual has the automatic right to know what another individual earns. The principle of transparency means that a woman has the right to know how the calculations are made, not the content of the calculation. It is necessary to balance the ideal of transparency with the rights of individual privacy. The equal pay questionnaire cannot be used to require an employer to disclose confidential information, unless the employment tribunal orders the employer to do so. A woman can use the questionnaire to request key information and it is likely that in many cases an employer will be able to answer detailed questions in general terms, while still preserving the anonymity and confidentiality of employees.

The Data Protection Act

Much of the information requested will not be confidential but some information, such as the exact details of a comparator's pay package, may be confidential to that person. Personal data is protected by the Data Protection Act 1998 and can only be disclosed in accordance with data protection principles. Pay records will usually be personal data covered by the Data Protection Act. Moreover, other issues such as ethnic origin and medical details are sensitive personal data to which particular safeguards apply. The disclosure of confidential information in the employment context is also protected by the implied duty of trust and confidence owed by an employer to an employee.

Disclosure of information to trade unions or employee representatives

Under the Trade Union and Labour Relations (Consolidation) Act 1992 an employer is under a duty, on request, to disclose to a recognised trade union, information to enable constructive collective bargaining. Information about pay and terms and conditions of employment usually comes within the duty to disclose, but it is important to note that the duty applies only to information for collective bargaining.

It also represents good practice for employers who do not recognise trade unions to communicate regularly with their workforce, and where appropriate, their representatives.

The time limits for applying to an employment tribunal

A woman must lodge a claim with the employment tribunal within the prescribed time limits. It is her responsibility to ensure that she does so. Using the internal grievance procedure does not extend the time limits set for lodging a claim, nor does serving the questionnaire.

- Claims under the Equal Pay Act can be taken at any time up to six months after leaving the employment with the employer (as opposed to leaving the particular post about which the equal pay claim is made, but remaining in the same employment). This time limit also applies to equal pay claims taken where a stable relationship with an employer has come to an end. The time limit can be extended only where the employer deliberately conceals the existence of pay inequality from the complainant, or the complainant is a minor or of unsound mind.

- In contracting out situations the time limit runs from the date of the contracting out in respect of periods of service up to that date.
- For Armed Services Personnel the time limit is nine months from the end of the period of service.

The burden of proof

The woman bringing an equal pay claim has to show the employment tribunal that on the face of it she is receiving less pay than a man in the same employment who is doing equal work. Her employer must then either accept her claim or prove to the employment tribunal that the difference in pay was for a genuine and material reason, which was not the difference of sex.

The employer's defences

The fact that a woman is paid less than a man doing equal work does not necessarily mean that she is suffering sex discrimination in pay. In making a decision about a case the employment tribunal has to assess the evidence about:

- the work done by the woman and her comparator
- the value placed on the work (sometimes with the advice of an Independent Expert), in terms of the demands of the jobs
- the pay of the woman and her comparator and how it is arrived at, and
- the reasons for the difference in pay.

The possible defences against an equal pay claim are as follows:

- the woman and the man are not doing equal work

- for equal value claims only: the jobs being done by the woman and the man have been evaluated and rated differently under an analytical job evaluation scheme that is free of sex bias. A non-analytical job evaluation scheme does not provide a defence to a claim, and
- the difference in pay is genuinely due to a material factor, which is not the difference of sex.
- equalisation of contractual terms for the future (if she is still in employment), and
- compensation consisting of arrears of pay (if the claim is about pay) and/or damages (if the complaint is about some other contractual term).

In practice, an employer may identify more than one factor. For example, an employer may argue that the man is paid more because he is better qualified than the woman and because it is difficult to recruit people with his particular skills.

Awards of equal pay

If the woman succeeds in her claim she is entitled to:

- an order from the employment tribunal declaring her rights:
 - her pay, including any occupational pension rights, must be raised to that of her male comparator
 - any beneficial term in the man's contract but not in hers must be inserted into her contract, and
 - any term in her contract that is less favourable than the same term in the man's contract must be made as good as it is in his

Back pay can be awarded up to a maximum of six years (five years in Scotland) from the date that proceedings were filed with the employment tribunal.⁸⁶ In addition, the employment tribunal may award interest on the award of compensation. With up to six year's worth of back pay being awarded, the interest element of any award is likely to be considerable.

The Sex Discrimination Act 1975

The Equal Pay Act, as amended, applies to pay or benefits provided under the contract of employment. The Sex Discrimination Act 1975, as amended, complements the Equal Pay Act. It covers non-contractual issues such as recruitment, training, promotion, dismissal and the allocation of benefits, for example flexible working arrangements or access to a workplace nursery. It also covers non-contractual pay matters, such as promotion and discretionary bonuses. This means that if a woman wishes to make a claim in respect of non-contractual or discretionary payments her claim will be made under the Sex Discrimination Act.

The distinction between claims under the Equal Pay Act as opposed to the Sex Discrimination Act is not always clear.

⁸⁶ Special rules apply where the woman is under a disability or the employer has concealed a breach of the Equal Pay Act.

Financial Services Inquiry

Decisions about performance markings in a performance-related pay scheme are aspects of treatment that could be challenged under the Sex Discrimination Act if discriminatory. By contrast, where those decisions result in different levels of pay, that difference and the terms of the scheme could be challenged under the Equal Pay Act. If there is any doubt as to which Act a payment falls under, legal advice should be sought.

The Sex Discrimination Act, as amended, and read with the Trade Union Reform and Employment Rights Act 1993, also enables a woman to apply to have a term in a collective agreement, or an employer's rule, declared void.

Claims under the Sex Discrimination Act can be taken within three months of the alleged act of discrimination, subject to the tribunal's discretion to extend the time limit where it is just and equitable to do so. For Armed Services personnel the time limit is six months from the date of the act complained of.

Protection against victimisation

The Sex Discrimination Act also protects employees from being victimised for making a complaint (unless this is both untrue and made in bad faith) about equal pay or sex discrimination, or for giving evidence about such a complaint. Victimisation because a woman intends to bring a claim is also unlawful. The 'complaint' does not have to be by way of filing a claim with the employment tribunal, but includes any discussion or correspondence about the matter between the woman and her employer. The protection against victimisation also includes not only the woman bringing the claim, but also anyone who assists her, for example, her comparator and any trade union or employee representatives.

The code of practice on equal pay

The statutory code of practice on equal pay recommends that the most effective way of establishing whether a public authority's pay policies and pay systems are discriminatory is to undertake an equal pay review.

The fundamental components of an equal pay review are:

- Comparing the pay of women and men doing equal work. Here employers need to check for one or more of the following: like work, work rated as equivalent, and work of equal value. These checks are the foundation of an equal pay review.
- Identifying any equal pay gaps, including by differences between part-time and full-time workers' pay.
- Eliminating those pay gaps that cannot satisfactorily be explained on grounds other than sex.

The code of practice on equal pay and supporting toolkits are the recommended tools for undertaking this process. These can be found at: www.equalityhumanrights.com

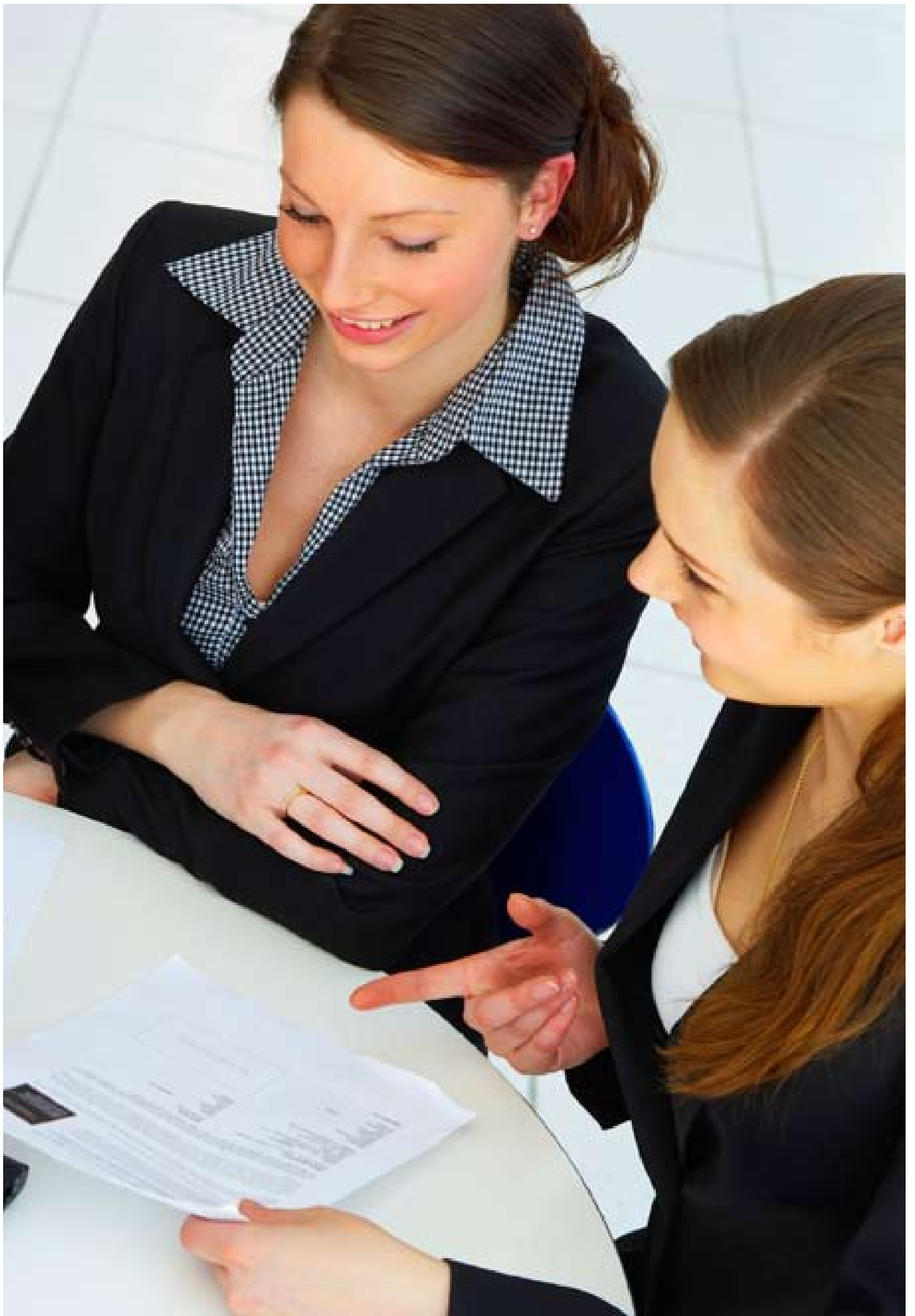
Appendix 8:

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Printed on Greencoat Offset, manufactured from 100% recycled, TCF (Totally Chlorine Free) fibre. Totally recyclable and bio-degradable. NAPM (The National Association of Paper Merchants) recycled certification. Vegetable-based inks were used throughout.

© Equality and Human Rights Commission
Published September 2009
ISBN 978 1 84206 211 1

Designed by Design Projects
design.projects@btinternet.com

www.equalityhumanrights.com